



LeMaitre Vascular, Inc.

Private Equity Challenge | Investment Committee Paper

Master in Finance Thesis

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Nova School of Business and Economics

Master in Finance | January 2018



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 **LeMaitre®**
VASCULAR

Private Equity Challenge Team I

Nova School of Business and Economics Master in Finance Private Equity Challenge January 2018



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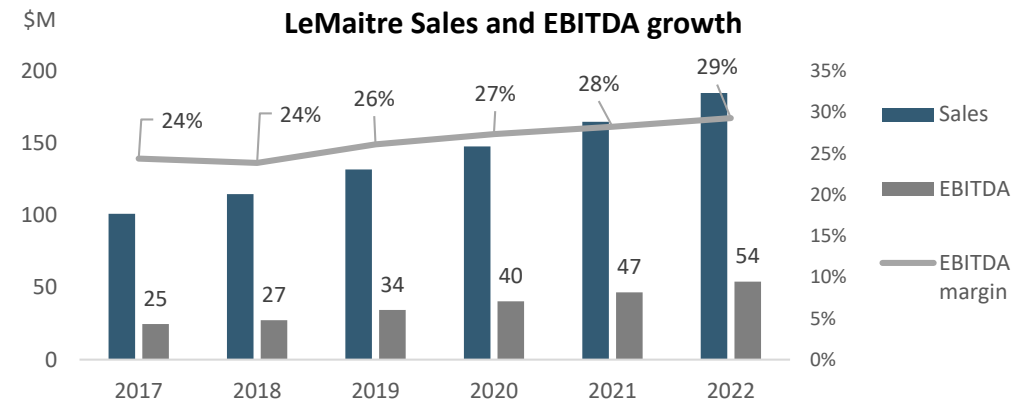
Executive Summary

LeMaitre and the Peripheral Vascular Device (PVD) market

- LeMaitre Vascular Inc. is a US-based manufacturer of devices for peripheral vascular surgery. They directly **target the vascular surgeon** via sales representatives and offer primarily products for open vascular surgery
- 2017 is expected to be a **record year**, with sales reaching \$ 101M in 2017 (5-year CAGR of 12%). LeMaitre also made its cost structure more efficient, leveraging the **bottom line** (EBITDA 5-year CAGR of 32%) and is highly **cash-generative**
- The global peripheral vascular device market is growing at a **CAGR of 5-7%**, driven by increased prevalence of peripheral vascular disease, demographic aging trends and healthcare improvements in Emerging Markets
- In the PVD market, LeMaitre has the **competitive advantage** of being the only player with a clear focus on the vascular surgeon, having the most comprehensive portfolio and being quality leader in several niche products

Value Creation and Business Plan

- The investment thesis is based on three main pillars: **portfolio expansion**, further **internationalization** and **operational efficiency**
- The goal is to build a more **comprehensive portfolio** covering all the surgeons' needs, incorporating also **endovascular** in addition to open surgery. The portfolio will increase from 15 to ~20 product lines through acquisitions of single product lines, supported by R&D efforts
- Top-line growth will also be driven by increased internationalization. Especially **developed Asia and the BRIC countries** offer untapped **market opportunities** for LeMaitre, which will be explored
- Regarding operational efficiency, the **centralization of operations** of externally manufactured products to the main facility, **improvement of inventory management** and **supplier relationships** will be targeted



Deal structure, Returns & Exit

- Executing this strategy will lead to an **increase in revenue** from \$ 101M in 2017 to **\$ 184M in 2022 (CAGR 13%)**. **EBITDA will increase** from \$ 24M in 2017 to **\$ 54M in 2022 (CAGR 16%)**, as **EBITDA margins improve** from 24% to 29%
- LeMaitre will be acquired for an **entry EV/EBITDA multiple of 13.5x**, i.e. for an **EV of \$ 347M**. No Multiple Arbitrage will be assumed
- Total leverage will be **6.0x EBITDA**, hereof **two senior term loans (4.5x)** and a **subordinated loan (1.5x)**, supported by a RCF
- LeMaitre's **management** will buy into the new capital structure and own a total of **18.4 % of the ordinary shares** as well as **11.8% of the FRI**
- Main **equity value drivers** are organic sales growth (50%), margin expansion (26%), deleveraging (13%) and non-organic growth (11%)
- The aspired **exit through a strategic sale in 2022**, for an **exit EV of \$ 724M**, yields an **IRR of 25%** and a **MM of 3.0x** for the fund.

Company Overview

Manuel Pires da Silva

Company Snapshot

Main Product Overview

Management Team

Key Historical Financials

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VASCULAR

LeMaitre Vascular Inc. is a US-based manufacturer of devices for peripheral vascular surgery

Company description

- LeMaitre is a **global leading provider of devices used by vascular surgeons** to treat peripheral vascular diseases (PVD)
- Peripheral vascular disease is any **disorder affecting the circulatory system** apart from brain and heart, such as thrombosis and embolisms
- Designs, manufactures and markets disposable and implantable vascular devices** for use in both open vascular surgery and minimally invasive endovascular procedure
- The company's growth has been achieved through a **direct sales model**, currently with 89 sales representatives in 21 different countries
- Its **397 employees** are spread across **9 offices** in four different continents and the worldwide market size for its **core products is \$870 Million**

Business strategy



Call Point:
Product selling and offering are directed to **vascular surgeons** to gain market share in both conventional open vascular and endovascular surgeries



Niche Markets:
Leading position in **niche products and services segments**. High selling prices and higher market share due to the lack of competition and differentiated features with consistent quality



Growth Platform:
Acquisition and development in complementary vascular devices to expand its offerings and increase its technological features

High-level financials

Guidance for 2017 (after Q3):

Sales: \$101M (+13% vs. '16)

Op Income: \$20.9M (+43% vs. '16)

Net Income: \$16.9M (+60% vs. '16)

EPS: \$0.84 (+53% vs. '16)

EBITDA: \$24.7M (+24% vs. '16)

Competitive Advantages

1

Comprehensive portfolio

No other company covers the whole spectrum of vascular devices and procedures

2

Outside the radar of biggest Medtech firms

97% of LeMaitre's revenue comes from markets < \$125M

3

Leading position in niche markets

#1 or #2 market share in 12 of the 15 vascular product lines

4

M&A expertise

1 acquisition per year, on average, and 75% of sales are coming from those



Lower substitution risk



High pricing power

LeMaitre is a worldwide provider of a broad range of equipment for vascular surgery with a direct sales model

Vascular procedures are required when the blood vessel blockage is significant. Vascular surgery allows the blood to bypass the narrow area through vein grafting

Target
Cause

- PVD affects over **20 million people worldwide** and typically **goes undetected until a vascular procedure** is required due to excessive vessel blockage

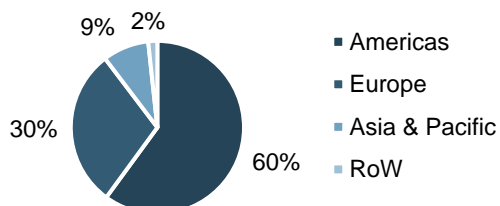
- Aging population, unhealthy lifestyle habits, blood related diseases

- The vascular surgeon (~5000 worldwide certificated) plays a **key role in the treatment of PVD** and is the main customer of peripheral vascular devices
- Main diseases: Deep vein thrombosis, peripheral aneurysm, **peripheral arterial disease (most common type)**, Pulmonary Embolism, etc;

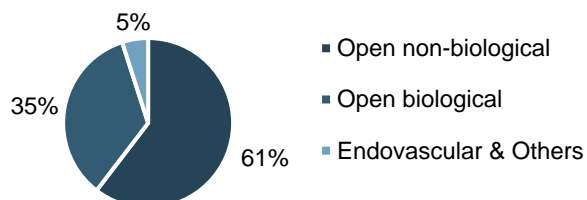
LeMaitre total addressable market is expected to increase from \$0.9B to \$1.1B from 2017 to 2022

- LeMaitre competes with both small niche players and global Medtech market leaders
- The firm **does not compete with any firm in all product lines**, as it is the only company with a strong focus on vascular surgeons

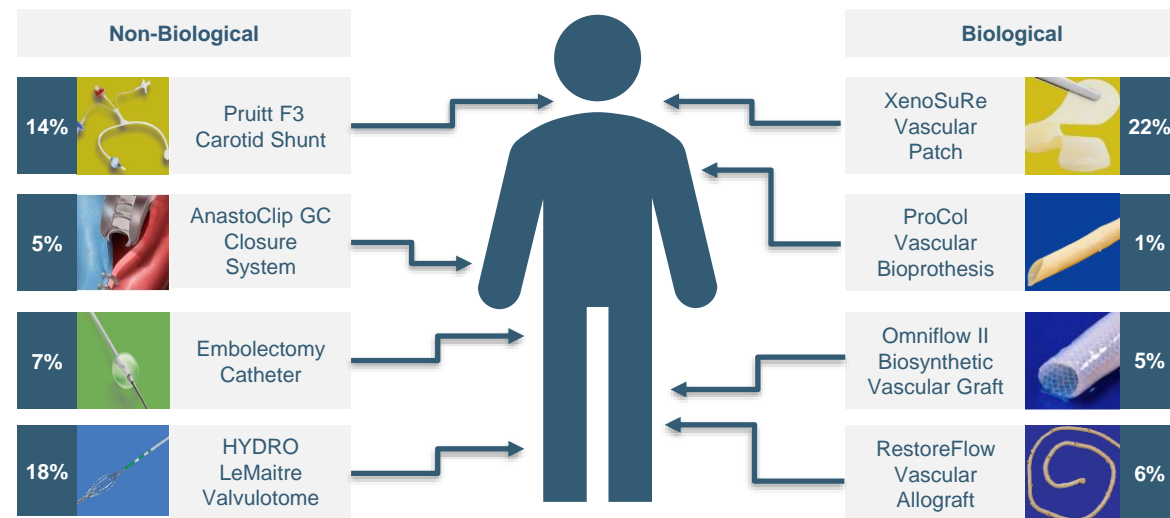
Geographies (% of sales in '17)



Product segments (% of sales in '17)



LeMaitre offers 33 products across 15 product lines. Open Non-Biological: 9; Open Biological: 4; Endovascular & Others segment: 2



% of overall sales in 2017

Weight in sales: As of June '17 these 8 products represented more than 75% of sales

Open non-biological	Open biological	Endovascular
Non-biological products used in open vascular surgery	Devices used in open vascular surgery with properties derived from animal and human sources	Minimal invasive surgery devices that allow vessel's internal repairing
LeMaitre's last 5 years sales CAGR: 6%	LeMaitre's last 5 years sales CAGR: 46% (mainly due to XenoSure)	LeMaitre's last 5 years sales CAGR: -4%

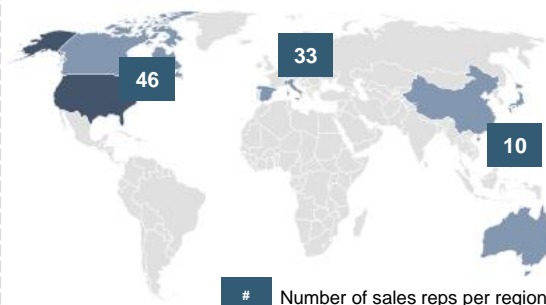
* Deep dive in products overview appendix slides

With a strong sales reps model, LeMaitre made 19 acquisitions in 19 years with a weighted average sales multiple of 1.9x

Sales model

Office locations

- **Corporate HQs:** Burlington, US
- **International HQs:** Germany
- **Asian HQs:** Japan
- **Sales offices:** Spain; Italy
Canada; China; Japan; Australia
- **Manufacturing:** US; Australia



Direct sales model through sales representatives

Sales rep facts

- Allows to **cross-selling** and implementation of **high selling prices**
- **Incentivized** on **gross profit goals**
- **89 sales reps in 21 countries-** LeMaitre adds **~5 sales reps per year**
- The number of sales reps **increased from 40 to 100** in the last 10 years, with an **average turnover rate of 1.18%**
- This channel represented **between 85-95% of revenue** during the last years

Success stories

- **Germany:** Over the first 10 years of the sales reps model implementation, **LeMaitre achieved a 58% CAGR**, (compared with 41% in France where no sales reps were added in the same timeframe)
- **Italy:** One year after the sales reps implementation, was **LeMaitre's 3rd largest revenue contributor**

Acquisitions and key products/services

LeMaitre's acquisition strategy is based on **acquiring complementary products**:

- The goal is having the **most comprehensive portfolio of vascular products** and being able to offer the full set directly to surgeons

75% of total current revenue is obtained through **previously acquired product lines**

<u>Year</u>	<u>Acquisition</u>	<u>Product Acquired</u>	<u>Post-acquisition sales CAGR</u>	
2016	RestoreFlow	Human tissue cryopreservation	12%	✓
2016	ProCol	Biological vascular graft	15%	✓
2015	Tru-Incise	Valvulotomes	N/A	
2014	Angioscope	Fiberoptic catheters	N/A	
2014	Xenotis Pty	Biosynthetic grafts/OmniFlow	34%	✓
2013	Trivex	Powered phlebectomy system	9%	✓
2013	Clinical Instruments	Carotid Shunts and Embolectomy Catheters	N/A	
2012	XenoSure	Biological patches	48%	✓
2010	LifeSpan	ePTFE grafts	5%	✓
2007	Biomateriali	Polyester grafts and patches	-1%	✗
2007	UnBalloon Technology	Stent graft modeling catheters	N/A	
2007	Vascular Architects	Remote endarterectomy devices	3%	✓
2007	Vascular Innovations	Contrast injector	-1%	✗
2005	Endomed	Stent grafts	N/A	
2004	VCS Clip	Vessel closure system	11%	✓
2003	Credent	Polycarbonate grafts	N/A	
2001	Ideas for Medicine	Carotid shunts, balloon catheters and laparoscopic cholecystectomy devices	8%	✓
1999	Vermed	Balloon catheters	8%	✓
1998	Whittaker Screen Printing	Radiopaque tape manufacturing operations	12%	✓

LeMaitre's management is composed of a cohesive and fully experienced team and ownership has become much more diluted

Top Management



Chairman & CEO: George W. LeMaitre, 52

LeMaitre Vascular's CEO and member of the Board of Directors since 1992, serving as its Chairman since 2004. Previously, Mr. LeMaitre worked at Lehman Brothers, McCown De Leeuw and the Connecticut National Bank. Mr. LeMaitre received a B.A. in History & an M.B.A. from Stanford University.



CFO & Board Director: Joseph J. Pellegrino, 52

LeMaitre's CFO since 2007. Mr. Pellegrino joined LeMaitre as its Executive VP of Finance, in 2005. Mr. Pellegrino is also a director of Access Vascular, Inc., a medical device company. He has gained extensive experience in operations and finance with prior employers and earned his B.A. in Economics & M.B.A. from Harvard Business School.



President & Board Director: David B. Roberts, 53

LeMaitre's President since 2007, but joined LeMaitre in 1997 as VP of Business Development and was promoted to CFO from 2000 to 2007. Mr. Roberts received a B.A. in Business Economics and History from Brown University and an M.B.A. from the Stanford University.



President, International Operations: Peter R. Gebauer, 63

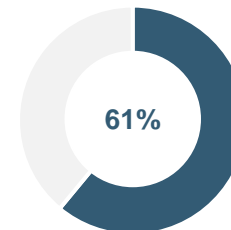
LeMaitre's President of International Operations since 1997. From 1980 to 1996, Mr. Gebauer worked at IMPRA, Inc., a manufacturer of ePTFE vascular grafts. Mr. Gebauer received a B.S. in Business from the University of New Hampshire.



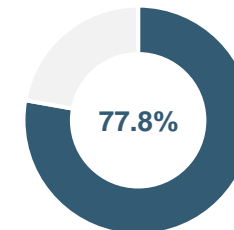
Senior Vice President & General Counsel: Laurie A. Churchill, 46

LeMaitre's Senior VP and General Counsel since 2016. Ms. Churchill joined LeMaitre in 2012 as Director of Legal Affairs. Ms. Churchill earned a B.A. in English Education from the University of North Carolina at Chapel Hill and a J.D. from New York University School of Law.

Management facts

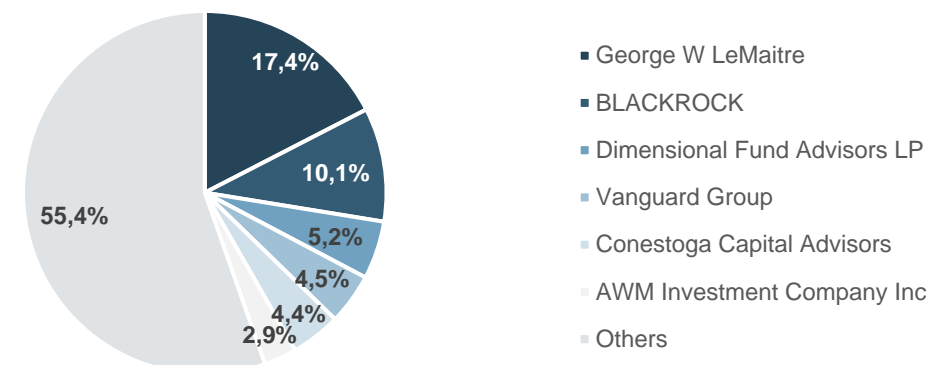


Younger than 50 years old



Over 10 years with LeMaitre

LeMaitre shares ownership



- The graph represents the **TOP 5 Institutional Investors**, as well as George LeMaitre (unique individual with an ownership > 2%)
- LeMatre's ownership evolution, from 2012-2017:
 - ~87% held by institutional owners (compared to ~20% in 2012)
 - ~21% held by Insider owners (compared to ~27% in 2012)

LeMaitre managed to consistently grow both its top and its bottom line throughout the last years

Millions \$	2012	2013	2014	2015	2016	2017 E
1 Revenues	57	65	71	78	89	101
% growth		14%	10%	10%	14%	13%
Open non-biological	45	50	54	56	59	61
Open biological	5	8	11	17	24	35
Endovascular & Others	6	6	6	6	6	5
2 Gross Profit	41	45	48	54	63	71
% gross margin	72%	70%	68%	69%	71%	70%
3 Operating Expenses	37	41	42	43	47	50
% growth		11%	4%	1%	9%	8%
SG&A	32	35	36	37	40	43
R&D	5	5	5	5	6	7
Other	0	1	1	0	0	0
EBITDA	6	7	10	15	20	25
% margin	11%	11%	14%	19%	22%	24%

3 LeMaitre was able to make its cost structure more efficient

- Began a **restructuring plan** in '14, which included **workforce reduction** (~10%), **centralization of manufacturing** and other cost-cutting measures
- Sales & Marketing** went from 37% of sales to 29% ('12-'16). This was mainly due to leverage of existing direct sales force, boosting sales
- R&D department** focuses mainly in **improving existing products**. R&D expenses went down from 9% to 7% of sales
- Other operating expenses include **one-offs** such as restructuring charges and gains on divestitures. From '13 -'15 was included a Medical device excise tax* (only ~1.5% of Americas sales), which was **suspended** until the end of '17

*There is legislation in the U.S. House of Representatives that would put the medical device tax on another hiatus for more 5 years.

Sources: Annual Report, Earnings Calls, Bloomberg, Global Data Report, Craig Hallum and Barrinton initiation of coverage. 2017 values reflect full-year guidance provided in Q3 Earnings Cal and our estimates.

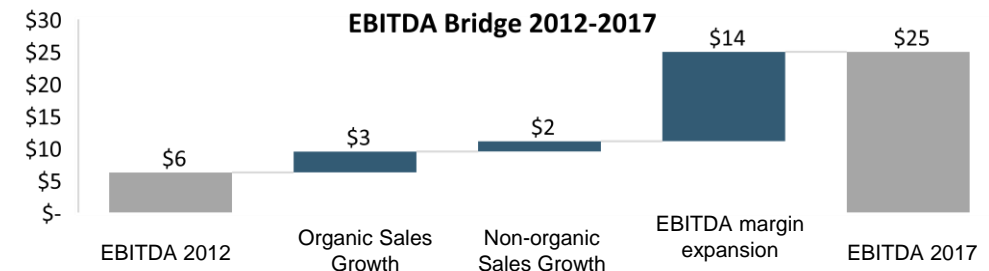
1

- "Non organic" relates to sales from acquired operations in the 12 months following the acquisition. LeMaitre estimates that 75% of '17 revenue results from directly acquired products or accumulated growth of these (latter is considered as organic growth in the table)
- During this period LeMaitre was able to increase the **weight of international** sales in total sales (from 33% in 2012 to 40% in 2016) while also increasing revenues in Americas
- Prices have been increasing** almost 5% every year since 2012
- No product accounts for more than 25% of total sales

Millions \$	2013	2014	2015	2016	2017 (E)
Revenue Growth	13.8%	10.1%	10.2%	13.8%	13.3%
Organic	12.0%	8.4%	6.3%	11.9%	6.7%
Non Organic	1.8%	1.7%	3.9%	1.9%	6.6%

2

- Most products are manufactured in LeMaitre's headquarters (Burlington). By the end of 2016, of all the 19 acquisitions, **only 4 products were manufactured by third-parties** and 2 of them were expected to be relocated to Burlington by the end of 2018
- Also relies on single and limited-source suppliers for several of its key product components (raw materials, antibiotics, etc.). However, **never** experienced material disruption in the adequate supply
- COGS** consists primarily of manufacturing personnel, raw materials and components, depreciation of property and equipment, and other allocated manufacturing overhead, as well as freight expense



A growing business in combination with a debt-free balance sheet, resulted in growing OCFs and high cash conversion

	Millions \$	2012	2013	2014	2015	2016	2017F
EBIT		4.2	4.5	6.3	11.5	16.3	20.7
(-) Interest and Foreign currency gain/loss		0.2	0.2	0.0	0.1	0.1	0.0
(-) Taxes		1.4	1.1	2.4	3.7	5.7	6.6
Depreciation & Amortization		2.2	2.8	3.3	3.4	3.6	4.0
(-) Change in Working Capital		2.7	2.8	3.9	0.7	-0.4	2.4
Accounts Receivable		0.6	1.2	0.7	1.9	0.9	0.1
Inventory and other deferred costs		3.7	2.2	2.7	-0.6	0.1	0.2
Prepaid expenses and other assets		-0.3	0.2	-0.6	2.0	-1.5	2.1
Accounts payable and other liabilities		-1.4	-0.9	1.1	-2.6	0.1	0.1
Stock-Based Compensation		1.2	1.2	1.1	1.0	1.7	1.2
Deferred Income Taxes		0.3	0.3	-0.1	0.2	0.1	0.0
Other Non-Cash Adj		1.1	0.7	1.2	-0.2	0.6	0.7
Operating Cash Flow		5	5	6	11	17	18
(-) Maintenance CAPEX		1.3	2.9	1.2	2.3	2.8	3.0
Divestitures		0.5	0.0	0.0	0.4	0.0	0.0
(-) Expansion CAPEX (Acquisitions)		4.4	3.3	6.6	1.6	14.4	0.0
Investment Cash Flow		-5	-6	-8	-3	-17	-3

4 Main drivers of NWC have been changes in inventory

- LeMaitre performed acquisitions every year since 2012 and most of these recent acquired companies had **excessive inventory**

5 Mostly composed by Stock option awards and Restricted stock units

- These are forms of equity compensation and are recognized as an expense based on fair value assumptions over which the stock options will be outstanding, without necessarily having existed a cash movement

6 Other Non-Cash Adj

- Includes items such as Provisions for deferred taxes, for doubtful accounts, for inventory write-downs, Gains on divestitures, on foreign currency transactions, etc.
- Most of the adjustments are related to **Inventory write-downs**, which as mentioned before, are due to excessive inventory from previous acquisitions

Millions \$	2012	2013	2014	2015	2016	2017(F)
Provision for inventory write-downs	0.9	0.5	0.7	0.5	0.4	0.6

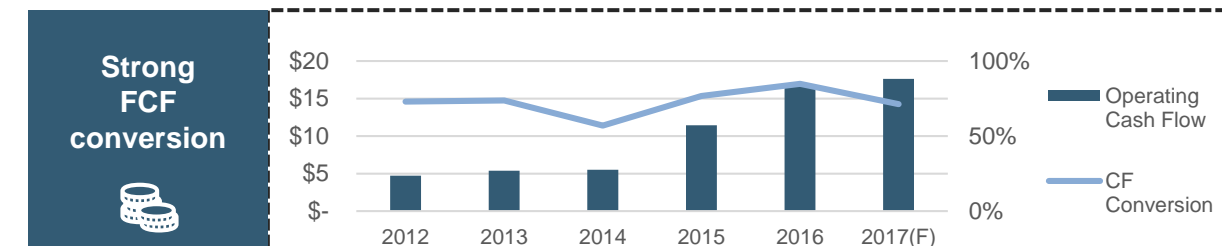
7 Maintenance CAPEX in the last years remained stable and low

Millions \$	2012	2013	2014	2015	2016	2017(F)
Maintenance CAPEX	1.3	2.9	1.2	2.3	2.8	3.0
Purchases of property and equipment	1.2	2.7	1.2	2.3	2.8	3.0
Purchase of intellectual property	0.1	0.2	0.0	0.0	0.0	0.0

- A significant amount of previous years Purchases of property and equipment is **associated to the expansion of the company's headquarters, manufacturing equipment and leasehold improvements**.

8 LeMaitre performs one acquisition per year on average

- 4 of the 8 acquisitions completed in the last five years are related to the open biological segment, which shows its recent effort to grow in this space



Sources: Annual Report, Earnings Calls, Bloomberg, Global Data Report, Craig Hallum and Barrinton initiation of coverage. 2017 values reflect full-year guidance provided in Q3 Earnings Cal and our estimates.

Market Overview

Lili Elodie Elahi

Peripheral Vascular Disease

Market Drivers

Market Size and Growth

Competitive Snapshot

LeMaitre Differentiating Factors

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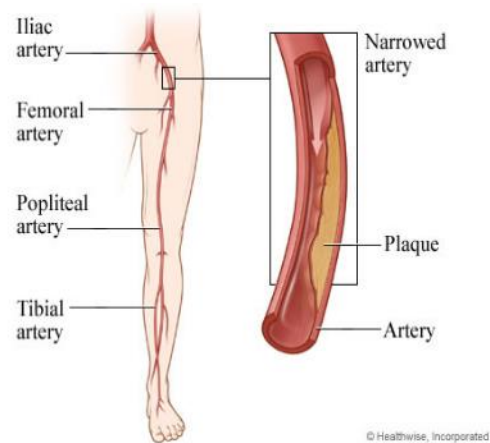
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PVD affects over 20 million people worldwide and typically goes undetected until a vascular procedure is required due to excessive vessel blockage

Peripheral Vascular Disease (PVD)

Estimated to affect > 20 million people worldwide. Refers to **any disease of the circulatory system outside of the brain and heart**. It includes disorders affecting blood vessels, veins and arteries, which carry blood to organs, limbs and head. Such disorders can be: **narrowing**, **obstructing** (arteriosclerosis), **widening** (varicose vein) or **weakening of such vessels**. Peripheral Arterial Disease (**PAD**) is the most common type of PVD.



© Healthwise, Incorporated

Treatments

From 1997 to 2008, there was an **increase of 22% vascular procedures** for all adults. Surgery may be required when the blood vessel blockage is significant:

Open-Surgery	<h3>Endarterectomy</h3> <p>Restricted blood flow Plaque is removed Normal blood flow</p> <p>© Healthwise, Incorporated</p>	<h3>Vascular Bypass</h3> <p>Femoral artery Blockage Popliteal artery</p> <p>Graft</p> <p>© Healthwise, Incorporated</p>
	<h3>Artherectomy</h3> <p>Restricted blood flow Stent in place Normal blood flow</p> <p>© Healthwise, Incorporated</p>	<h3>Angioplasty</h3> <p>Restricted blood flow Stent in place Normal blood flow</p> <p>© Healthwise, Incorporated</p>
Endovascular		

Risk Factors







- Smoking, obesity or lack of exercise
- Diabetes and high cholesterol
- High blood pressure
- Heart disease
- Kidney disease
- Being over the age of 50

Role of Vascular Surgeon

- Only to perform both open surgical and endovascular procedures
- Main provider of peripheral arterial interventions
- Share of PV surgeries increased from 27% in 1998 to 43% in 2005**

Sources: <http://study.com/academy/lesson/vascular-spasm-causes-symptoms-lesson.html>; <http://www.grandviewresearch.com/industry-analysis/peripheral-vascular-devices-market>; LeMaitre Annual Report 2016; Healthcare Cost and Utilization Project; Population-based analysis of inpatient vascular procedures and predicting future workload and implications for training, from the Society for Vascular Surgery

PVD market: Major growth drivers are global demographic developments and improving healthcare conditions in Emerging Markets

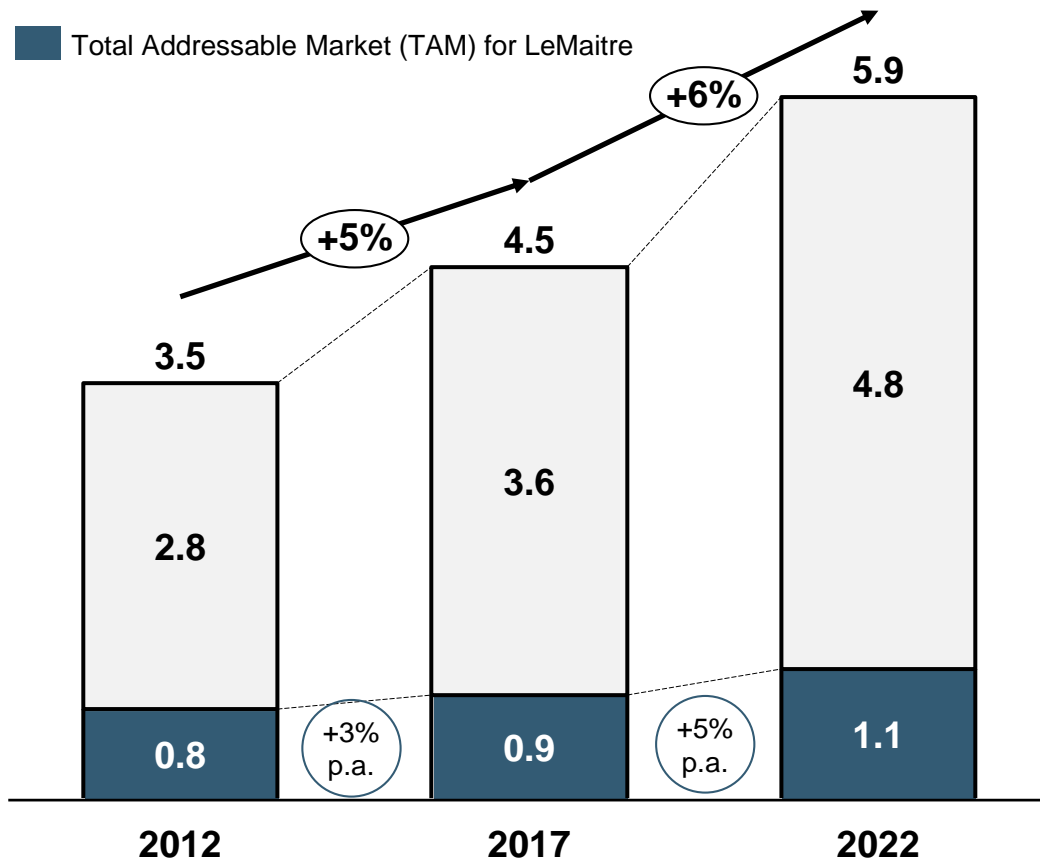
	Market driver	Impact	Description of the impact on the Peripheral Vascular Device market
Unit	1 Demographic trends		<ul style="list-style-type: none"> Global elderly population (>65 years) will rise from 600M in 2015 to 1.8B in 2060 Personal healthcare (HC) spending for this group in the US is 3x the spending of a working-age person
	2 Increased incidents and awareness of peripheral vascular disease		<ul style="list-style-type: none"> Number of people affected by PAD globally rose by 24% from 2000 until 2010 Further increase expected, especially in low- and middle-income countries due to increased prevalence of traditional PAD risk factors and an aging and growing population Increased awareness of PAD boosts precautionary examinations and diagnosis rate
	3 Improving healthcare conditions in EM		<ul style="list-style-type: none"> HC spending grows faster in Emerging Markets than in the rest of the world Improved HC and insurance system give a greater share of population access to HC
Price	Shift towards endovascular procedures		<ul style="list-style-type: none"> Unit growth of endovascular devices due to continuous evolvement of minimally-invasive procedures expected to continue Overall effect neutral, as devices for some open procedures stagnate in return
	Improving quality of medical care in EM		<ul style="list-style-type: none"> Advanced, state-of-the-art treatment methods are used in greater scale in EM Range of available treatment methods and devices for PVD in EM increases
	Increasing innovation and more complex products		<ul style="list-style-type: none"> Recent successful innovative devices, e.g. the drug-coated balloons (DCB), are increasingly complex and sell for higher prices than elder product lines

#

Deep dive in Market Overview appendix slides

The peripheral vascular device market has historically grown at ~5% p.a. and is expected to grow at 5-7% p.a. in the upcoming years

Peripheral Vascular Device Market Size 2012-2022 (in \$B)



Key Takeaways

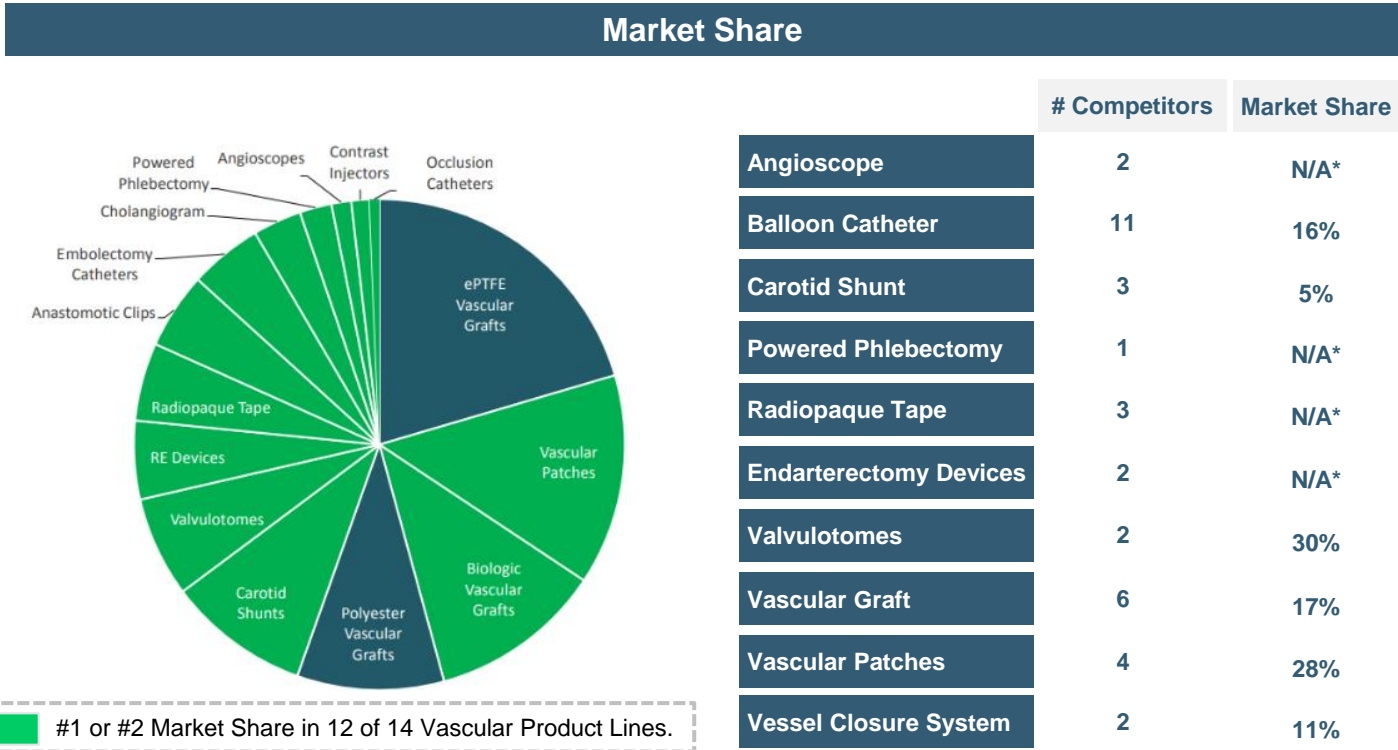
- In the last 5 years, the total PVD market has grown from ~3.5 \$B to 4.5 \$B globally (CAGR of 5%)
- The directly addressable segment of the market has grown at a slower pace of ~3% p.a., because it is mainly composed of **open vascular devices**, which grow slower than **endovascular devices**
- **Until 2022**, the market is expected to keep growing at a **CAGR of ~5-7% globally**
- **Favorable demographic trends** in developed markets and **economic and infrastructural developments** in Emerging Markets are key growth drivers
- Within the current TAM, the **Open-Biological** segment is **expected to grow the fastest**
- The **future size and growth of the addressable market** will depend on the development of LeMaitre's **product portfolio**, namely its **future acquisitions**
- If LeMaitre extends its portfolio more aggressively, e.g., by acquiring several endovascular products, its **TAM can increase to \$ 1.5B** within the next years

Note: Market size and splits are estimations based on triangulation of several sources.

Sources: LeMaitre Annual Reports, Company Information, US Trade Organization, MarketsandMarkets Report on PVD 2016, Diagnostic and Interventional Cardiology (DAIC)

LeMaitre competes with two heterogeneous archetypes of competitors composed of small niche players and global MedTech market leaders

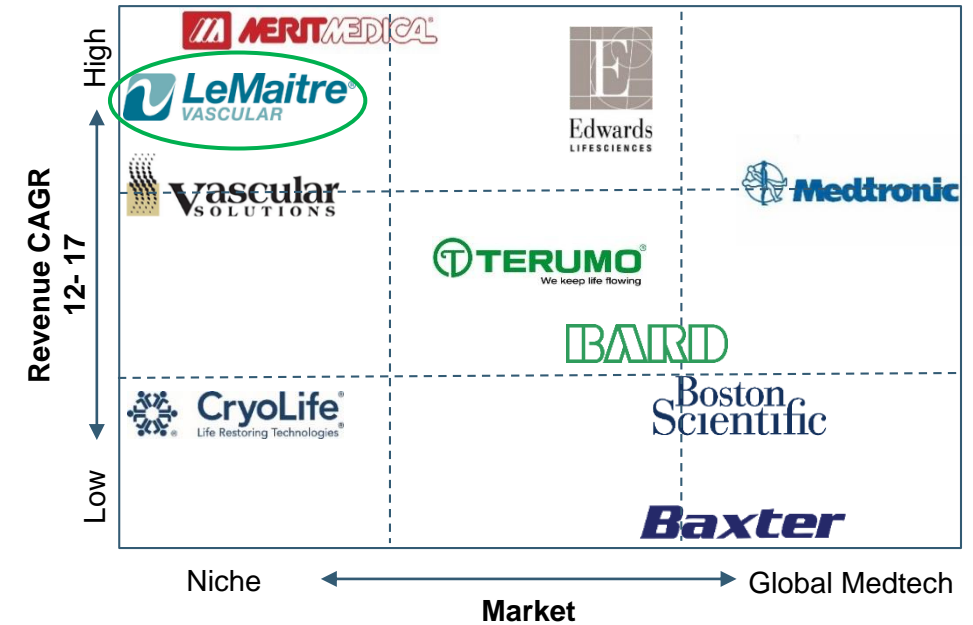
- LeMaitre focuses on **breakthrough innovation** in order to maintain **product differentiation** and premium positioning. However, the company still produces some more **commoditized products**
- LeMaitre does not compete with any firm in all product lines** (please see details in Appendix - slide 53), as it is the only company with a **strong focus on vascular surgeons** and the most **comprehensive product offering of vascular devices**
- Most products are inserted in **markets which are too small for large companies** to enter (more than 95% of revenue comes from markets sized below \$125M)



*N/A: Not Available
Source: Bloomberg; Company Presentation

Competitors Breakdown

- Specialized **niche market players** like LeMaitre are characterized by having **smaller market caps** (<1B\$) and a more **focused call point** (physicians)
- Global Medtech** leaders have **big caps** (>10B\$), enjoy **economies of scale** and have a much **broader customer base** (GPOs)



LeMaitre's greatest differentiation factors are its direct sales force, its focus on the vascular surgeon and its high-quality product portfolio

Direct sales model and focus on vascular surgeon

Vascular focus and high reputation

- Only player **focused on vascular surgeons**
- High reputation** in the vascular space since it was **founded by vascular surgeon Dr. LeMaitre**
- Well-known by all vascular surgeons** through the valvulotome, Lemaitre's **signature product**, still globally used by surgeons

Direct sales force

- Well-nurtured, direct relationships** to surgeons as competitive advantage
- Success less dependent on single sales persons, but rather on the **consistent contact between company and surgeon**
- Direct communication channel** to main influencers in purchase process and to **end-customers** at the same time

LeMaitre has an **outstanding reputation** in the **vascular community**. The direct sales force provides not only **direct access to key purchase decision makers**, but also **valuable insights into the surgeons' needs** and product wishes

Superior product portfolio



Xeno-Sure

Superior material compared to conventional patches:

- *Exceptional resistance to breaking under pressure*
- *Consistent thickness, allowing for tight quality control*
- *Lower rate of restenosis*



Valvulotome

More tailored to surgeons' needs than competition:

- *Majority of models not reusable, as surgeons prefer that*
- *Sharper and more effective at cutting valves*
- *89% efficacy rate vs. 80-82% for key competitors*



Carotid Shunt

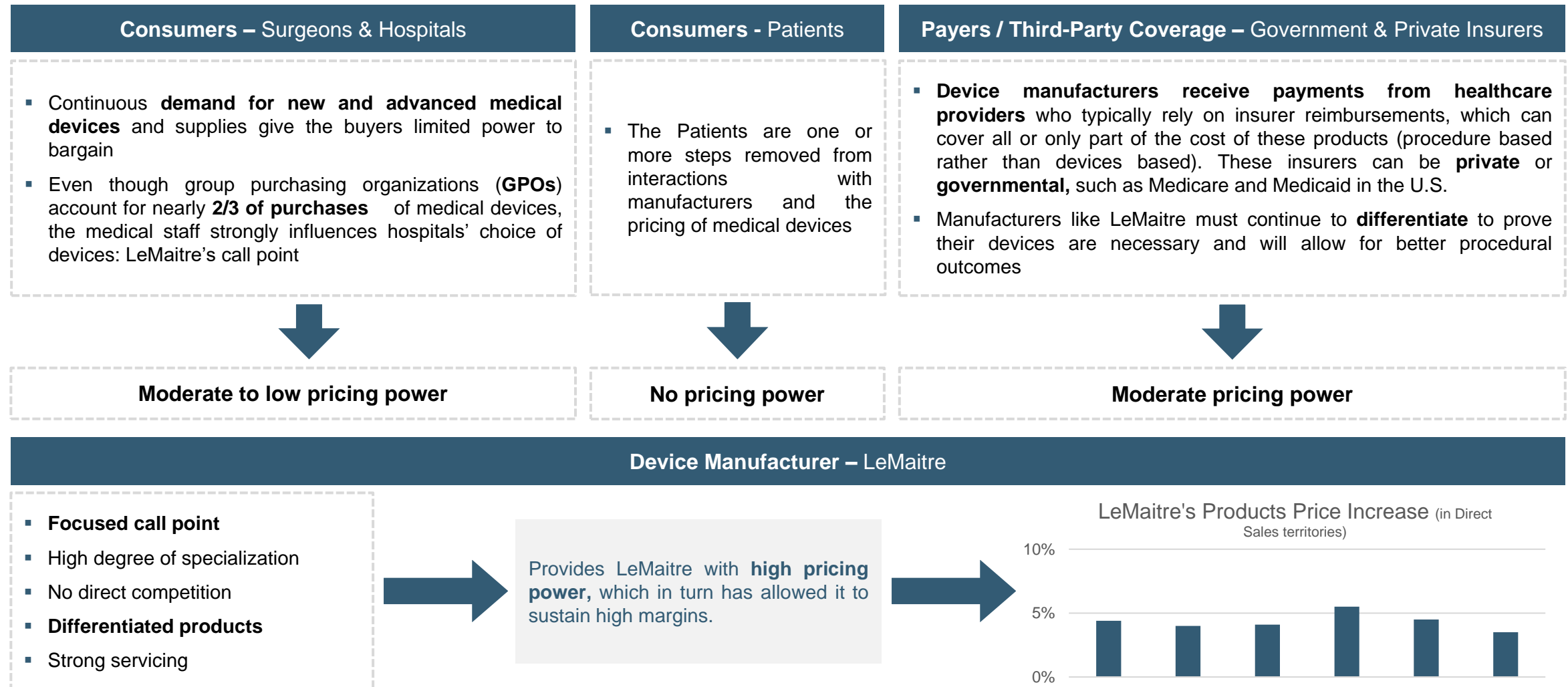
Superior safety characteristics compared to others:

- *Usage of internal balloon fixation, reducing stress on the blood vessels [compared to traditional shunts]*
- *For non-balloon shunts, blood flow rate is 39-104% higher than for leading competitors*

LeMaitre's products are **tailored to the vascular surgeons' needs**. Consequently, LeMaitre **grew faster than the market** in all its major product lines in the past.

LeMaitre's unique competitive advantage and high reputation is a consequence of the fact, that it understands vascular surgeons better than any of its competitors and caters to their wishes accordingly

The market characteristics and highly specialized nature of LeMaitre's business allows for high pricing power



Sources: Mercer Capital; Euromonitor International, Company Presentation

Value Creation, Business Plan & Risks

José Pedro Bento

Investment Thesis

Portfolio Expansion (Acquisitions & R&D)

Internationalization Strategy

Optimization of Operations

Financial Forecast (Operating Model)

Risks

NOVA
School
of Business
& Economics

Shaping
powerful
minds

LeMaitre®
VASCULAR

LeMaitre is uniquely positioned in the attractive peripheral vascular device market and is poised for strong EBITDA growth in the upcoming years

Key reasons for the deal

Outstanding financials

LeMaitre is a **highly profitable** company with a track record of several years of **strong top and bottom line growth** and **increasing free cash flows**. The firm is **unlevered** and has a **strong balance sheet** with a **high cash position**

Growing market

LeMaitre is participating in the **attractive peripheral vascular device market**, which is set to experience **years of strong growth** due to **favorable global demographic developments** and **medical infrastructure build-up** in Emerging Markets

Competitive advantages

Within the vascular device market, LeMaitre is **uniquely positioned**, being the only firm with a **clear focus on vascular surgeons**, where it offers the **most comprehensive product portfolio** and being **market leader in most of the niche markets** it covers

Future growth levers

Portfolio expansion

LeMaitre has the **potential to significantly increase its market share** of the global peripheral vascular device market by **expanding and optimizing its product portfolio**. The biggest untapped product opportunities lie in the **endovascular and biological space**, which can be exploited via a **targeted acquisition and R&D strategy**

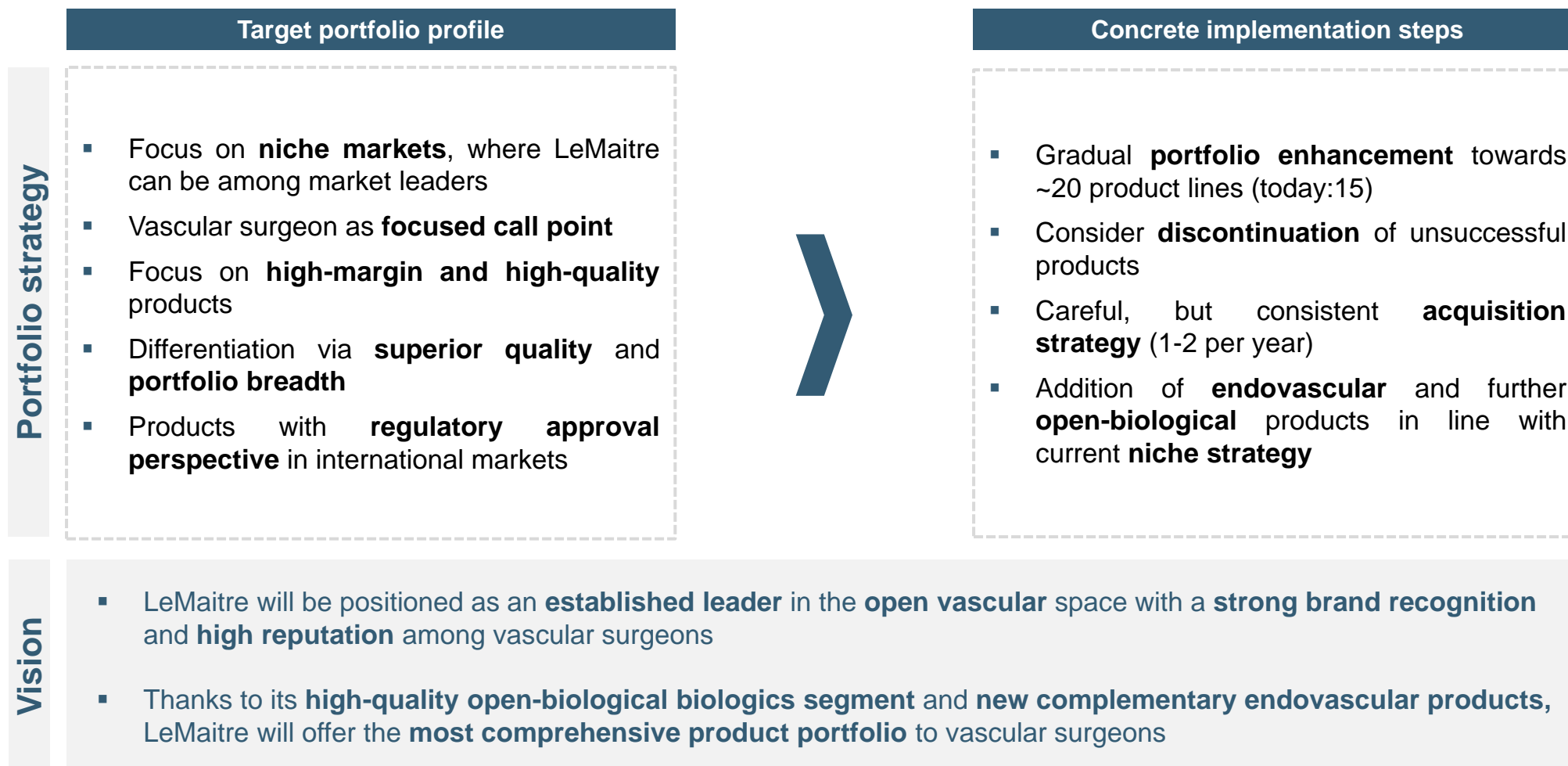
International strategy

LeMaitre can **increase its Total Addressable Market** by **intensifying its internationalization** efforts. Accelerated **internationalization** will be driven by an **optimized distribution approach tailored by country**, increased **efforts on regulatory approvals** and further **entries into new markets**, e.g. BRIC countries and South Africa

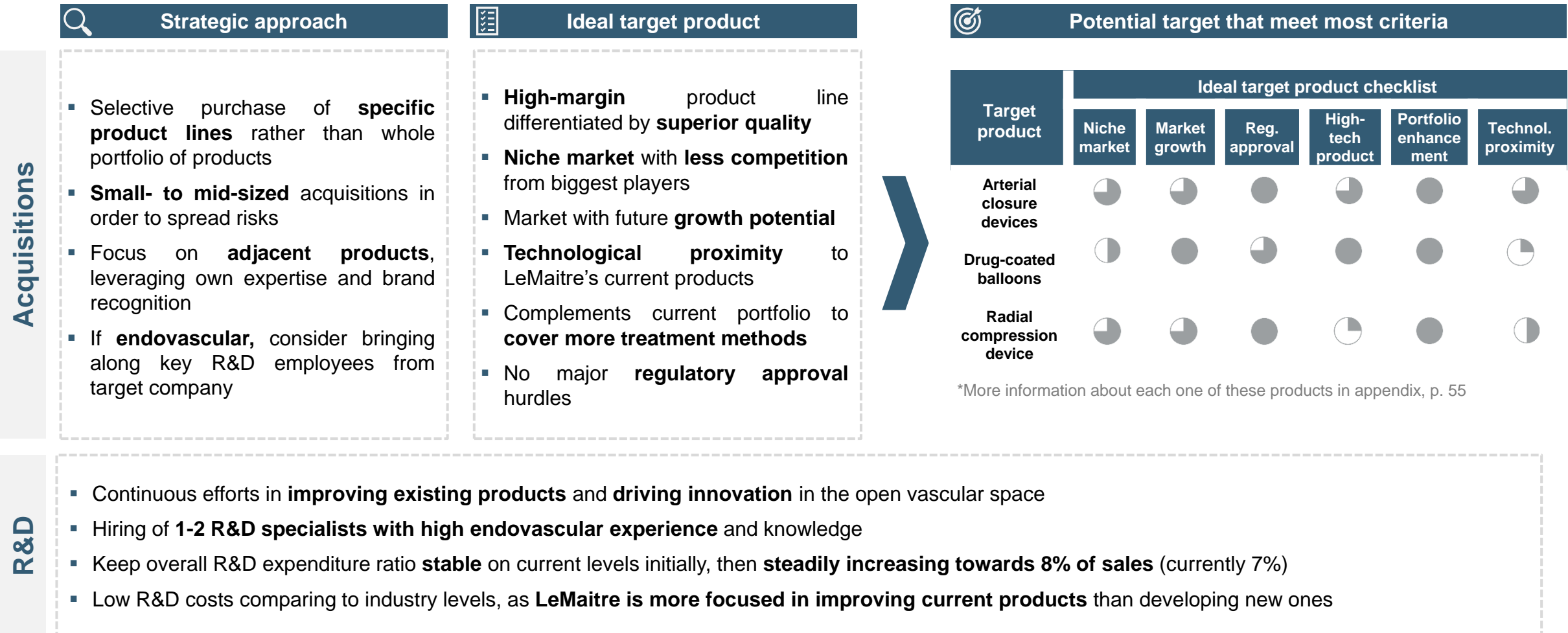
Optimization of operations

Additionally, LeMaitre has the potential to **improve its bottom line results** through **operational efficiency measures** including further **centralization** of manufacturing, **discontinuation** of less profitable product lines outside the strategic focus, **renegotiating** supplier conditions and **optimization** of Working Capital management










LeMaitre's product portfolio will be enhanced by adjacent vascular surgery products, namely in the open-biological and endovascular space



A focused acquisition strategy supported by continuous R&D efforts will drive future portfolio enhancements



LeMaitre currently sells directly in 21 countries and in another 39 via distributors, leaving room for international expansion

	Presence	Competition	Regulatory Approval	Reimbursement	Medical Devices Market Growth	Pricing Power	Attractiveness
Japan	Office & Direct Sales	Local	Difficult	Low	7.1% ¹	Moderate/ High	
Australia	Office & Direct Sales	Multinationals (80%) ²	Medium	Moderate ³	6% ³	Moderate	
Korea	Distributors	Mixed	Difficult	Low	13.8% ⁴	Moderate	
Taiwan	Distributors	Mixed	Difficult	Low	13.8% ⁴	Moderate	
Brazil	Distributors	Mixed ⁵	Moderate/ Difficult	Low (procedural based)	9% ⁶	Low	
Russia	Distributors	Mixed	Difficult ⁷	Moderate	13.8%	Moderate/ Low	
India	Distributors	Multinational (75%) ⁸	Easy ⁹	Low (<20%) ¹⁰	15% (2016) ⁸	Low	
China	Office & Direct Sales	Multinational (70%-80%) ¹³	Very Difficult	Domestic preference and procedural based ¹¹	20.5% (2015) ²	Moderate	
South Africa	Distributors	Multinational ¹²	Easy	Low	5.6% ¹³	Moderate/ High	

Sources: ¹Markets & markets; ²Export.org; ³Euromonitor International; ⁴PR Newswire; ⁵Emergogroup; ⁶Abnewswire; ⁷Export.gov; ⁸Deloitte; ⁹Med City News; ¹⁰Infosys; ¹¹Pacific Bridge Medical; ¹²South African medical device industry association; ¹³Business Wire

Among the untapped markets, developed Asia and the BRIC-countries are especially attractive for LeMaitre going forward

	Endovascular	Open Surgery	Biological
<div>Short-Term</div> <div>Long-Term</div>	US & EU <ul style="list-style-type: none"> Why: World's largest markets for endovascular devices and LeMaitre is already established there How: Maintain current marketing strategy 	Russia <ul style="list-style-type: none"> Why: Prevalence of open-surgery over endovascular with high market growth prospects How: Partnerships due to the requirement of in-country testing and clinical data 	Australia <ul style="list-style-type: none"> Why: XenoSure approval (~2018/19) combined with Omniflow's presence build strong foundation for a large biological foothold How: Acquisitions
	Brazil <ul style="list-style-type: none"> Why: Largest medical devices market in South America, where LeMaitre already has a strong presence. Endovascular procedures are highly prevalent. How: Direct Sales 	China <ul style="list-style-type: none"> Why: One of the world's largest markets, with the medical device industry growing at very high rates How: Partnerships 	China <ul style="list-style-type: none"> Why: It particularly welcomes medical equipment with high-technology content coming from the U.S., as it is viewed as superior in quality How: Partnerships
	South Africa <ul style="list-style-type: none"> Why: High and stable prevalence of endovascular procedures and predominantly performed by vascular surgeons rather than interventional radiologists, i.e. in-line with call point How: Distributors 	India <ul style="list-style-type: none"> Why: High growth rates combined with less stringent regulation and relatively low customs duties How: Partnerships 	Japan <ul style="list-style-type: none"> Why: Amongst the world's largest markets and LeMaitre already has a foothold in it. There is also potential to take advantage of pricing power (no customs duties) How: Acquisitions & Direct Sales

Regulatory Approvals	US	Canada	Brazil	Europe	NZ	Australia	Japan	Korea	China
% of Products Approved in Market*	95%	98%	69%	92%	92%	65%	54%	49%	25%

*Based on Q3 2017 worldwide net sales by product line

There is still a lot of room to expand even in the markets we are already present in, specially in the open biological segment, which is recent in LeMaitre's portfolio. Consequently, this will also be true for the endovascular segment, which is completely new to the company

Additional measures increasing operating efficiency and minimizing costs along the value chain will support LeMaitre's bottom-line growth

Savings Potential ↑	Optimization of operations		Impact on Value Chain		
			Sourcing	Manufacturing	Distribution
	NWC	In the last five years LeMaitre had a worse performance than its comparables regarding the Cash Conversion Cycle. Even knowing that many of its excessive inventory comes from acquired companies, the difference to its peers is excessive and as a result we would start working on a plan to improve inventory management . Moreover, we would use our increasing brand recognition to negotiate better payment conditions with suppliers <ul style="list-style-type: none"> Target: Increase Accounts Payable days by 3 each year and decrease Inventory Days by 10 days each year 	✓	✓	✓
	Centralization	LeMaitre usually relocates new acquisitions to its HQs in Burlington, however there are still some product lines that could be incorporated into Burlington : <ul style="list-style-type: none"> EndoRE – Currently produced by third-party TRIVEX – Currently produced by third-party RestoreFlow Allografts – Currently produced in Fox River Grove facility, for which LeMaitre did a 2-year lease at the time of the acquisition (2016). Nevertheless, the preservation of human tissue does not need to be made in any specific location and therefore, it could be relocated by 2018 	✓	✓	
	General Costs	Analyzing comparables, we concluded that there should be the opportunity to reduce General & Administrative expenses . While this item represented between 20% and 16% of LeMaitre's sales in the last five years, for company's comparables these costs floated between 7% and 14%		✓	
	Suppliers	LeMaitre does not have contractual arrangements with many of its suppliers and third-party manufacturers, thus being free to keep looking for new ones or to negotiate prices with the current	✓		
	Portfolio	We would recommend to discontinue some product lines, namely the ones with lower margins and least differentiation . By doing this, LeMaitre could improve profitability and focus on the products that better fit its positioning. To start we would look for general surgery devices, such as laparoscopic cholecystectomy devices		✓	

Sources: Bloomberg; Annual Report 2016; Craig Hallum's Institutional Research (June 6th, 2017)

Revenues are expected to increase with a CAGR of 12%, driven mainly by the Endovascular and Open Biological segments

In \$M	2012	2013	2014	2015	2016	2017*	CAGR 12-17	2018E	2019E	2020E	2021E	2022E	2023E	2024E	CAGR 17-24
Open non-biological	45	50	54	56	59	61	6%	66	73	78	84	90	98	104	8%
(YoY)		12%	7%	3%	7%	2%		8%	11%	8%	8%	8%	9%	6%	
Open biological	5	8	11	17	24	35	46%	41	48	53	62	69	78	87	14%
(YoY)		50%	41%	53%	45%	44%		19%	15%	12%	16%	12%	12%	12%	
Endovascular & others	6	6	6	6	6	5	-4%	10	14	19	21	24	27	30	28%
(YoY)		-2%	-2%	-5%	-7%	-2%		95%	38%	32%	12%	13%	12%	11%	
Total	57	65	71	78	89	101	12%	118	135	151	167	184	203	221	12%
(YoY)		14%	10%	10%	14%	13%		16%	15%	12%	11%	10%	10%	9%	

Growth building blocks

Open non-biological: ↗ Price

- Exploiting **existing pricing power in US** and **increasing pricing power in EU** would allow for annual price increases of **~4-5%**

Open biological: ↗ Volume

- Highest growth segment** and already submitted for new approvals
- Double-digit growth in Open Biological (10-16%), **due to new products gaining traction and regulatory approvals** in additional countries
- Total increase from \$35M in 2017 to \$69M in 2022**

Endovascular: ↗ Non-organic

- Since LeMaitre is less established in the endovascular space and R&D results are difficult to predict, the fastest way to grow is via acquisitions
- Assumed 6 acquisitions in the next 5 years (sized between \$2-5M in sales), 3 of them in the endovascular segment (one each year, from '18 to '20)

Geographical drivers

Americas & Europe: ↗ Endovascular

- Driven mainly by **acquisitions of endovascular devices** (U.S. – 2018/19 & EU - 2020)
- Establishing **sales representatives in Brazil**
- Overall slowdown trend over the years

Asia & Pacific Rim: ↗ Open biological

- Driven by **open biological**: Approval of Xenosure in AU; Acquisition of biological device in Japan in '21; Approvals in China, Korea, Japan and Taiwan predicted by firm for '22
- Partnerships in Russia, China and India** mitigate the company's slowdown in **open non-biological sales** expansion. Each expected to increase SG&A costs by \$0.4M in the first year of the partnership and growing by 9% in the following years

Rest of the World: ↗ Open non-biological

- Growing fast over the years due to getting **several approvals** (33 in 2015)
- Intensified distribution in **South Africa** in 2021 is expected to boost growth

• 2017 values reflect full-year guidance provided in Q3 Earnings Call; Sources: Operating Model, LBO Model, Earnings Calls, Company Information

LeMaitre leverages its bottom line by controlling G&A costs and increased Working Capital efficiency, achieving EBITDA growth of 15% p.a.

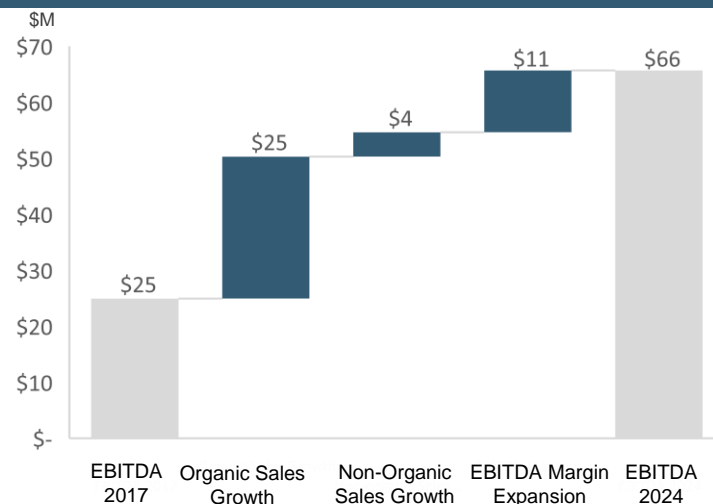
	2012	2013	2014	2015	2016	2017	CAGR 12-17	2018	2019	2020	2021	2022	2023	2024	CAGR 17-24
1 Gross Profit	41	45	48	54	63	71	12%	82	94	105	117	129	143	155	12%
(Gross margin)	72%	70%	68%	69%	71%	70%		69%	69%	70%	70%	70%	70%	70%	
2 Selling & Marketing costs	21	22	22	23	26	28	6%	32	35	39	42	46	51	56	11%
(in % of Sales)	37%	34%	31%	29%	29%	28%		27%	26%	26%	25%	25%	25%	26%	
3 General & Administrative costs	11	13	14	14	14	15	7%	17	18	19	20	22	23	25	7%
(in % of Sales)	19%	19%	20%	18%	16%	15%		14%	13%	13%	12%	12%	11%	11%	
4 Research & Development costs	5	5	5	5	6	7	7%	9	10	11	13	15	16	18	14%
(in % of Sales)	9%	8%	7%	7%	7%	7%		7%	7%	7%	8%	8%	8%	8%	
EBITDA	6	7	11	15	18	25	32%	29	35	42	48	54	60	66	15%
(in % of Sales)	11%	11%	15%	19%	20%	24%		24%	26%	28%	29%	29%	30%	30%	
5 Working Capital	15	18	21	22	25	28	13%	31	35	37	39	41	43	45	7%
(in % of Sales)	27%	27%	29%	28%	29%	28%		27%	26%	25%	23%	22%	21%	20%	

- Subject to **two conflicting main influences**: new **dilutive acquisitions** are dragging margins down each year, while the core business (including past acquisitions) improves margins due to **economies of scale and advanced integration and centralization**. Also influenced by the **geographic and product mix**
- Decreasing in % of Sales despite **increase in absolute terms**. Increase driven by **hiring of additional sales reps (~15 in 5 years)**; **intensified marketing campaigns abroad** to increase brand recognition and establishing **partnerships** in BRIC. Decrease in % due to **leveraging of existing cost structure** through economies of scale
- Continued **centralization of manufacturing** and operations into the Burlington headquarter, supported by discontinuation of less profitable products, drives **decrease in % of sales**. **Partly offset** by increased costs due to **new market entries** (regulatory (\$5,000 - \$50,000 per device), administrative, etc.)
- Main focus of the R&D department is improving current products, rather than developing new ones**. If we look at the last 4 years, LeMaitre had lower R&D costs (going from 8% of sales to 7%) than its peers (9% every year). Thus, to sustain portfolio expansion, we fixed a target of 8% for 2022, which is closer to the market average
- The new trend will be driven mainly by the improvement of the Accounts Payable and Inventory items, as they are influenced by the new negotiations with suppliers and a more efficient inventory management. As we expect that the company will be able to increase Accounts Payable days by 3 and decrease Inventory days by 10 each year

Source: Operating Model, LBO Model, Bloomberg and Annual Report

LeMaitre's key drivers for growth in the operational model are geographic expansion, organic growth and non-organic investments

EBITDA evolution 2017 - 2024



EBITDA

- EBITDA is expected to grow from \$24.7 to \$65.7, representing an increase of 500bps in the EBITDA margin (24.5% in 2024 vs 29.7% in 2017)

EBITDA margin expansion 2017-2024

- Total revenue CAGR is expected to be ~12%
- Take advantage on economies of scale, namely in Biologics after manufacturing capacity increase
- Higher margin products
- Cost savings through centralization
- Leveraging existing cost structure by expanding sales through higher cross-selling, broader product portfolio and more efficient usage of already existing sales infrastructure (e.g. Asia)

Organic growth 2017-2024

Open non-biological: Organic CAGR: 7%

- Increase pricing power due to brand recognition and reputation
- Portfolio enhancements due to high R&D expertise

Open biological: Organic CAGR: 13%

- Increased production capacity in Burlington
- Further market share gains in leading products, then growth rates will decrease. A boost on volume is expected in Asia

Endovascular: Organic CAGR: 10%

- Volume will be the main driver of sales
- Less pricing power in the beginning but afterwards it will increase due to higher brand reputation. Growth will be in Line with the market.

Non-organic growth 2017-2024

Open non-biological: ~\$0.71M per year

- Punctual acquisitions to ensure market leadership (2019 and 2023, representing 3% growth in each year)

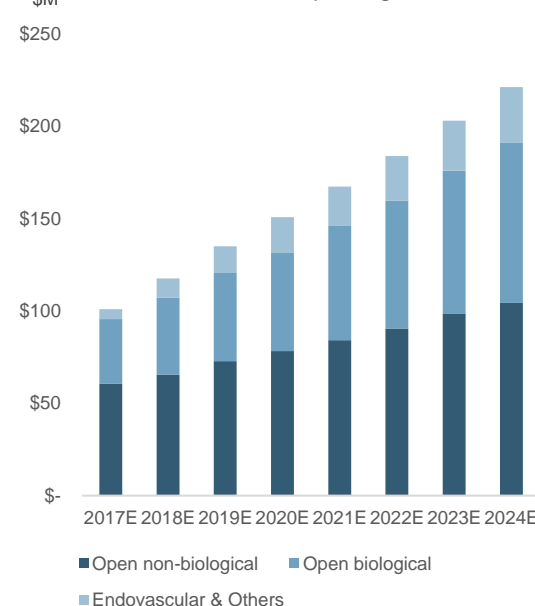
Open biological: ~\$0.29M per year

- Acquisition in 2021 to update portfolio with innovative products to expand market leadership position

Endovascular: ~\$1.57M per Year

- To gain momentum and as new product-segment entrants, high quality product lines' acquisitions will take place in 2018 and the two following years

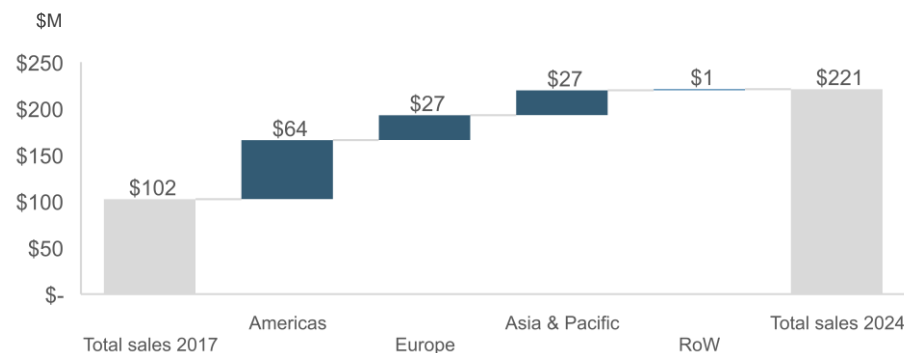
Revenue Forecast per Segment















Geographic expansion 2017-2024

Sales CAGR per region :

- Americas: 11%
- Europe: 10%
- Asia & Pacific: 22%
- RoW: 8%
- Significant sales increase due to:
 - Entrance into new markets (South Africa, India, Brazil and Russia)
 - Endovascular and biological (e.g. XenoSure) products approval
 - Acquisitions made in Japan



LeMaitre is subject to a set of internal and external risks, some of which can be viewed as opportunities, and others should be subject to due diligence

	Risks	Occurrence probability	Impact EBITDA	Mitigation / comfort
Strategic	<ul style="list-style-type: none"> ▪ Acquisitions: Potential integration issues and lack of market success of an acquired product line 			<ul style="list-style-type: none"> ▪ Thorough due diligence and integration plans ▪ Acquire approved products with successful track record
	<ul style="list-style-type: none"> ▪ Competition and substitution: Minimally invasive endovascular gaining higher share of overall surgeries ▪ Inability to sustain high prices: Generic competition and pricing pressure 			<ul style="list-style-type: none"> ▪ Further diversification of product portfolio, including also endovascular products ▪ Constant innovation ▪ Ensure superiority of products and servicing
Operational	<ul style="list-style-type: none"> ▪ Customer - The expansion of endovascular procedures could lead interventional radiologists and cardiologists to substitute vascular surgeons. 			<ul style="list-style-type: none"> ▪ Foster direct relationships with vascular surgeons ▪ Potentially expand direct sales efforts to interventional radiologists specialized in vascular surgery
	<ul style="list-style-type: none"> ▪ Sales representatives turnover 			<ul style="list-style-type: none"> ▪ Ensure talent retention through proper incentives ▪ Perform market research on regional distribution methods
Legal	<ul style="list-style-type: none"> ▪ Product side effect liability 			<ul style="list-style-type: none"> ▪ From 2005 to 2016 LeMaitre was not subject to any material litigation, claims or assessments.
Regulatory	<ul style="list-style-type: none"> ▪ Products non-approval or withdraw of major product-line due to new legislation or regulation 			<ul style="list-style-type: none"> ▪ Revenues diversification achieved with the increase number of product lines and geographies

Capital Structure and Returns

Severin Erbach

Entry Valuation
Debt Market Analysis
LBO Capital Structure
LBO Expected Returns

NOVA
School
of Business
& Economics

Shaping
powerful
minds

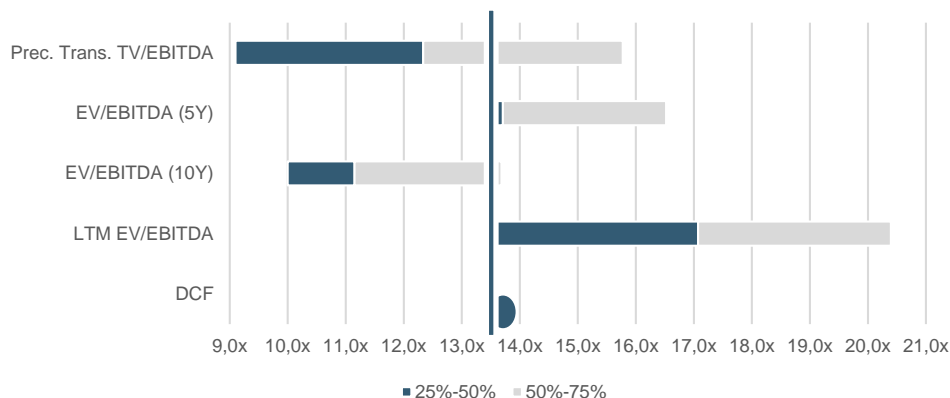
LeMaitre
VASCULAR

The world's strongest embolectomy catheter.

LeMaitre
VASCULAR

Various valuation methods point towards an EV/EBITDA multiple of 13x – 14x as an appropriate entry price

Football Field

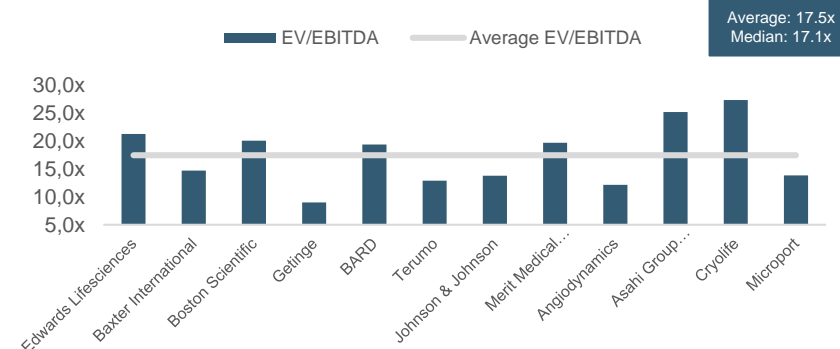


- We believe that an **EV to EBITDA multiple of 13-14x is a reasonable price** to pay for LeMaitre, representing an **EV to SALES multiple of 3-4x**
- The median EV/EBITDA multiple **grew from 11x to 16.5x from 2007 to 2016**, while the EV/SALES from 2.4x to 3.5x, respectively
- Given the **current valuation premium** to the historic median, the Medical Device industry seems to be at a **high point of its cycle**
- Yet this overall multiple expansion is justified, as it is a **growing market (5-year CAGR 5%)** with strong global growth expectations
- In case of an acquisition **in the near future**, we therefore assume a multiple **in the upper part of our range**
- The EV/Sales ratio was not included in the Football Field, but its **results are in line with the EV/EBITDA**

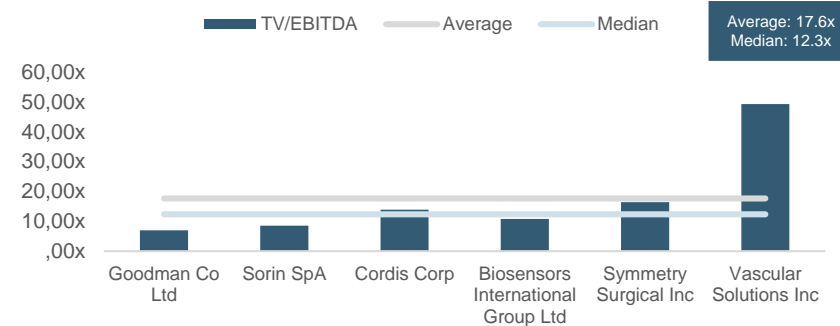
Valuation methodology

- Currently trading comparables: 14 companies were selected** and divided into Global Multinational and Small Specialized segment (the later are the ones most similar to LeMaitre's business). (Median EV/SALES multiple of 3.8x)
- Preceding comparable transactions:** Based on similar cardiovascular transactions occurred in the **past 5 years** (Vascular Solutions is the most comparable transaction). (Median EV/SALES multiple of 3.05x)
- Comparables through-the-cycle:** **Median of the medians** (same peer group) of the past 10 years in order to assess the **economic cycle** (Median EV/SALES multiple of 3.5x)
- DCF:** Based on a DCF analysis, a **multiple of 13.8x was computed** based on future forecast
- LBO Model valuation:** It was determined a **maximum leverage of 6x EBITDA**, assuming an **entry and exit multiple of 13.5x**, with a 25% IRR

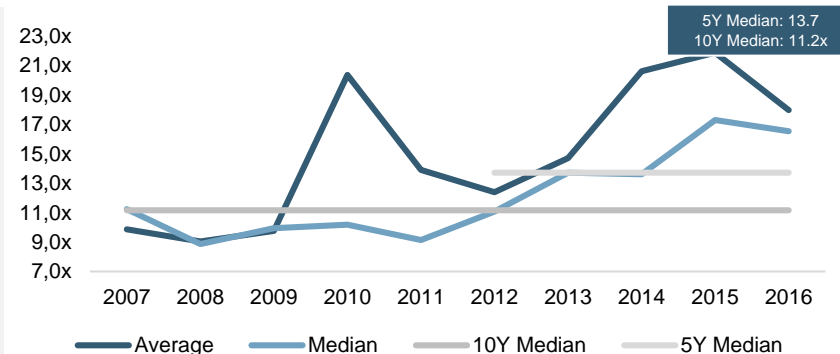
Currently trading comparables



Precedent transactions



Through-the-cycle EV/EBITDA



Note: Deep dive in valuation appendixes slides: calculations, EV/SALES graphs, vascular solutions deal

Favorable debt market conditions and LeMaitre's strong cash generation profile allow for raising senior debt at spreads of ~325-375bps

Debt Market Analysis

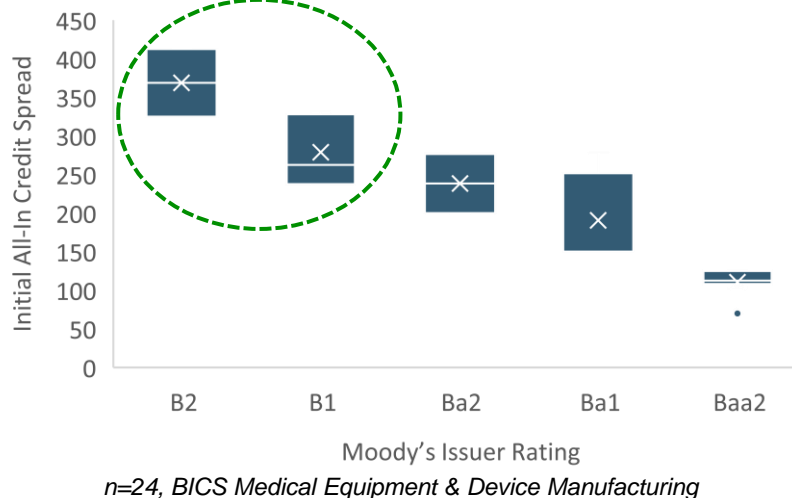
Recent comparable loan issuance



French medical diagnostic group, owned by Private Equity consortium – last **refinancing** in Sep 2017

Total leverage	8.0x, hereof 6.5x senior secured
Senior debt	Term loans at +300/ 350 bps [at launch in 2016: both +350bps]
Junior debt	2.0x at partly +775 bps cash / +850bps PIK
Maturities	7-8 years
Comments	Exceptionally high total leverage, market average ~6x

Credit Spreads of Recent Loans of Medical Device Comps



- Low-interest rate environment has led to **decreasing yields and credit spreads at historic lows**
- Comparable LBO loan issuance of **Sebia** shows high **market appetite for debt and low spreads** (+300-350 bps at **B** rating)
- Medical Device** firms of **similar rating (B1-B2)** to LeMaitre recently issued **term loans** with spreads in the range of **250-400bps**

Firm-specific analysis

Firm-specific determinant for default spread	LeMaitre's situation	Impact on spread
Expected credit rating	B2 (ICR >2.5 Y1, after >3)	~325-400 bps on average
Firm size	Small: Market cap \$ 600M	Increases spread
Free Cash Flow conversion	High with 77% (2016)	Decreases spread
Volatility of cash flows	Consistent, stable FCF growth	Decreases spread
Management ownership ("skin in the game")	High executive ownership (20%)	Decreases spread
Total leverage (after transaction)	High: 6.0x EBITDA	Increases spread

Source: Damodaran, Bloomberg

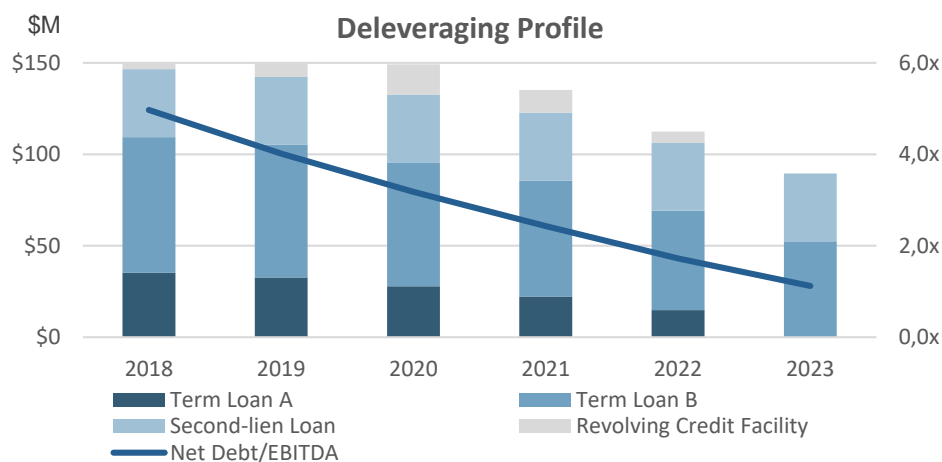
- LeMaitre should aim at **raising secured senior debt at rates of LIBOR + 325-375bps** in form of a term loan
- The TLs **will attract banks** rather than institutional investors due to **small tranche size**. TLs should be **placed in European market**, where expected **investor demand** is high

The final capital structure with an initial leverage of 6.0x EBITDA maximizes returns and is deleveraged down to 1.2x EBITDA within 6 years

Sources	\$M	x EBITDA	Uses of Funds	\$M
<u>Senior Debt</u>	111.3			
Term Loan A	37.1	1.5x	EBITDA 2017	24.7
Term Loan B	74.2	3.0x	EV/EBITDA Multiple	13.5
<u>Junior Debt</u>	37.1			
Second-lien loan A	37.1	1.5x		
Total Debt	148.5	6.0x	Enterprise Value	334.0

<u>Institutional Equity</u>	175.1		<u>Fees</u>	13.4
Fixed Return Instrument	171.0	6.9x	Advisory Fees	3.3
Ordinary Equity	4.1	0.2x	Legal Fees	3.3
<u>Management Equity</u>	23.9		Transaction Fees	6.7
Fixed Return Instrument	22.9	0.9x		
Sweet Equity	0.4	0.0x		
Ords. From Instit. Strip	0.5	0.0x		
Total Equity	198.9	8.0x		
Total sources	347.4	14.0x	Total uses	347.4

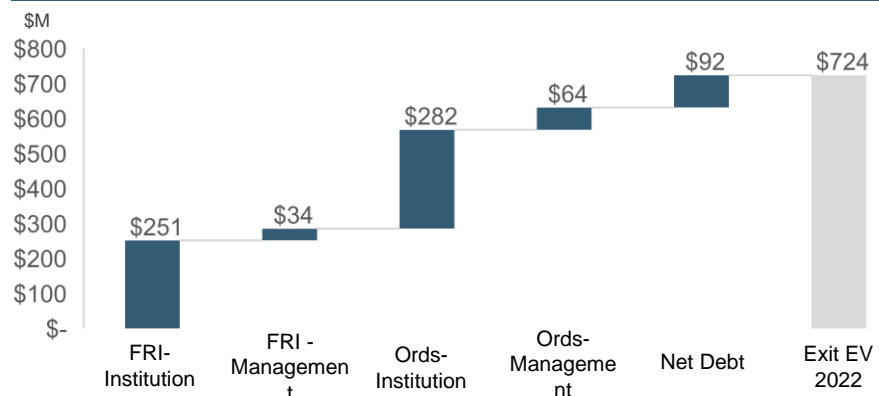
Debt Sources	Duration + rates**	Repayment type and other details
Term Loan A (1.5x EBITDA)	<ul style="list-style-type: none"> Senior, secured 6 years at +350bps 	<ul style="list-style-type: none"> Mandatory repayment of 5-20% p.a. in Y1-Y5, final bullet payment of 40% in Y6
Term Loan B (3.0x EBITDA)	<ul style="list-style-type: none"> Senior, secured 7 years at +400bps 	<ul style="list-style-type: none"> Optional repayments of excess FCF (>\$ 2M) each year – no prepayment penalties Bullet payment of rest at end of Y7
Second-lien loan (1.5x EBITDA)	<ul style="list-style-type: none"> Subordinated, unsecured debt 7 years at + 750bps 	<ul style="list-style-type: none"> 100% bullet payment at end of Y7 Prepayment penalties 102, thus no optional repayment
RCF (max. 0.67x EBITDA)	<ul style="list-style-type: none"> Interest of +400bps Flat commitment fee of 200bps 	<ul style="list-style-type: none"> Covering max. 40% of CAPEX needs of Y1-Y3 Drawdown in Y1-Y3, repayment in Y4-Y6
Equity Sources	Description	
Fixed Return Instrument (7.8 EBITDA)	<ul style="list-style-type: none"> \$ 194M in total, representing ~56% of the capital structure Guaranteed rate of return (PIK) of 8% p.a. 12% of FRIs owned by management due to management buy-in 	
Ordinary Shares (0.2x EBITDA)	<ul style="list-style-type: none"> Total management ownership 18% (\$ 0.9M) due to buy-in (see below): 0.4M sweet equity + 0.5M ords from institutional strip out of \$ 5M in total 	
Management package and incentivization	<ul style="list-style-type: none"> High pre-deal management ownership (21% of shares outstanding) After-tax management proceeds from LBO amounting to \$ 48M Reinvestment of 50% (\$ 24M) into new capital structure assumed Most of buy-in through FRIs (\$23M), remainder through ords (\$ 1M) 	
Deleveraging and Refinancing	<ul style="list-style-type: none"> Deleveraging to 1.1x EBITDA within 6 years through repayment of Term Loan A and Term Loan B Rollover/refinancing of junior debt required in year 7 	



* Reference for the quoted interest rate spreads is the US 12M LIBOR; **Debt has been assessed by BNP Paribas and reflects current market dynamics

Our investment case aims at an exit after 5 years, yielding an IRR of 25% and MM of 3.0x

Exit waterfall

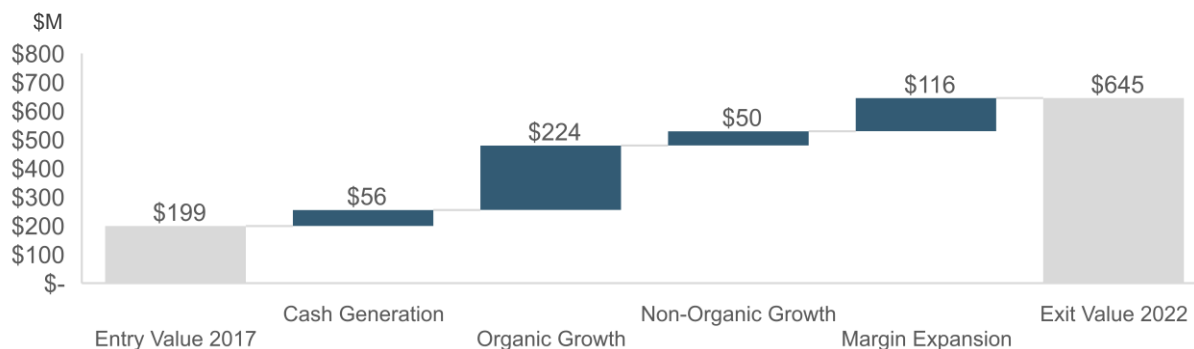


Sensitivity analysis

IRR		Exit Year		
		2022	2023	2024
Entry/Exit Multiple	12.5	26.2%	24.8%	23.3%
	13	25.5%	24.2%	22.8%
	13.5	25.0%	23.7%	22.3%
	14	24.5%	23.3%	21.9%
	14.5	24.0%	22.8%	21.5%

IRR (2022 Exit)		Exit Multiple				
		12.5	13	13.5	14	14.5
Entry Multiple	12.5	26.2%	27.3%	28.4%	29.4%	30.4%
	13	24.4%	25.5%	26.6%	27.6%	28.6%
	13.5	22.9%	23.9%	25.0%	26.0%	27.0%
	14	21.4%	22.4%	23.5%	24.5%	25.4%
	14.5	20.0%	21.1%	22.1%	23.1%	24.0%

Equity Value Creation



Total equity value creation is \$445M generated from:

- Organic revenue growth by **50%** (10.8% CAGR 17-22)
- Cash generation/ deleveraging by **13%**
- Margin expansion by **26%**
- Non-organic revenue growth by **11%**

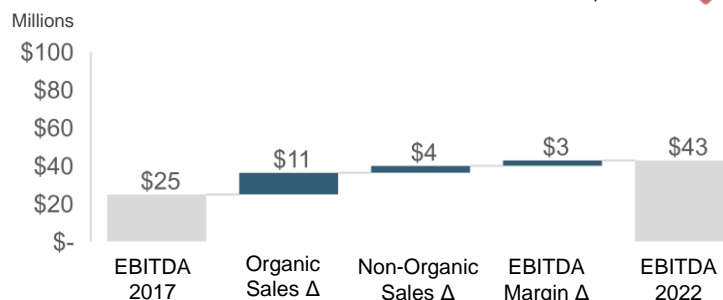
It is assumed there will be no Multiple Arbitrage

	2018	2019	2020	2021	2022	2023	2024
Interest Coverage Ratio	2.3	2.8	3.3	4.0	4.9	7.2	8.1
Net Senior debt/EBITDA	3.4x	2.6x	1.9x	1.4x	0.9x	0.5x	0.5x
Net Total debt/EBITDA	5.0x	4.0x	3.2x	2.4x	1.7x	1.1x	0.5x
EBITDA/Cash interest	2.8x	3.3x	3.9x	4.8x	5.9x	9.0x	10.3x
FCF/(Cash interest+Debt Repayment)*	1.2x	1.3x	1.4x	1.4x	1.7x	1.2x	0.4x

Financial performance is contingent on several internal and market-related external factors

Bank case

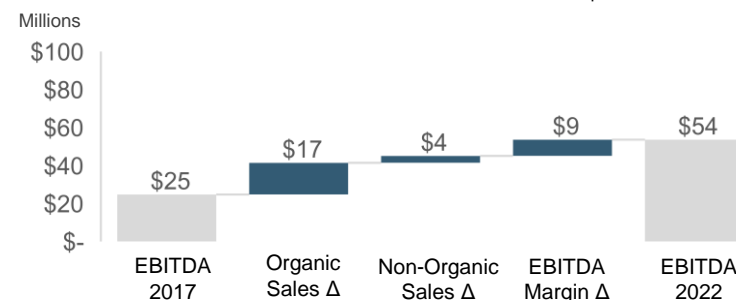
	<u>CAGR 17-22</u>	<u>Value 2022</u>
Revenue	10.0%	\$ 163M ↓
Gross profit	9.5%	\$ 112M ↓
EBITDA	11.5%	\$ 43M ↓



- Slower adoption of **Biologic devices** internationally than foreseen, driven also by delayed regulatory approvals
- Adoption and scaling** of acquired endovascular devices takes longer than expected
- Pressure on gross margins**, as price increases outside US cannot be sustained to full extent
- Centralization** of operations leads to less G&A cost declines than expected
- EBITDA margin** improvement through **economies of scale** less material due to slower sales increase

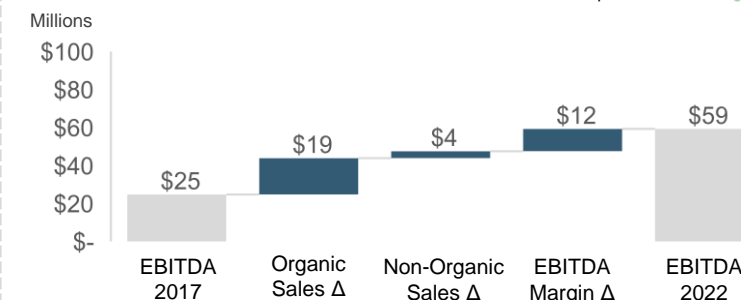
Investment case

	<u>CAGR 17-22</u>	<u>Value 2022</u>
Revenue	12.7%	\$ 184M
Gross profit	12.7%	\$ 129M
EBITDA	16.7%	\$ 54M



Optimistic case

	<u>CAGR 17-22</u>	<u>Value 2022</u>
Revenue	13.9%	\$ 194M ↑
Gross profit	14.2%	\$ 138M ↑
EBITDA	19.1%	\$ 59M ↑

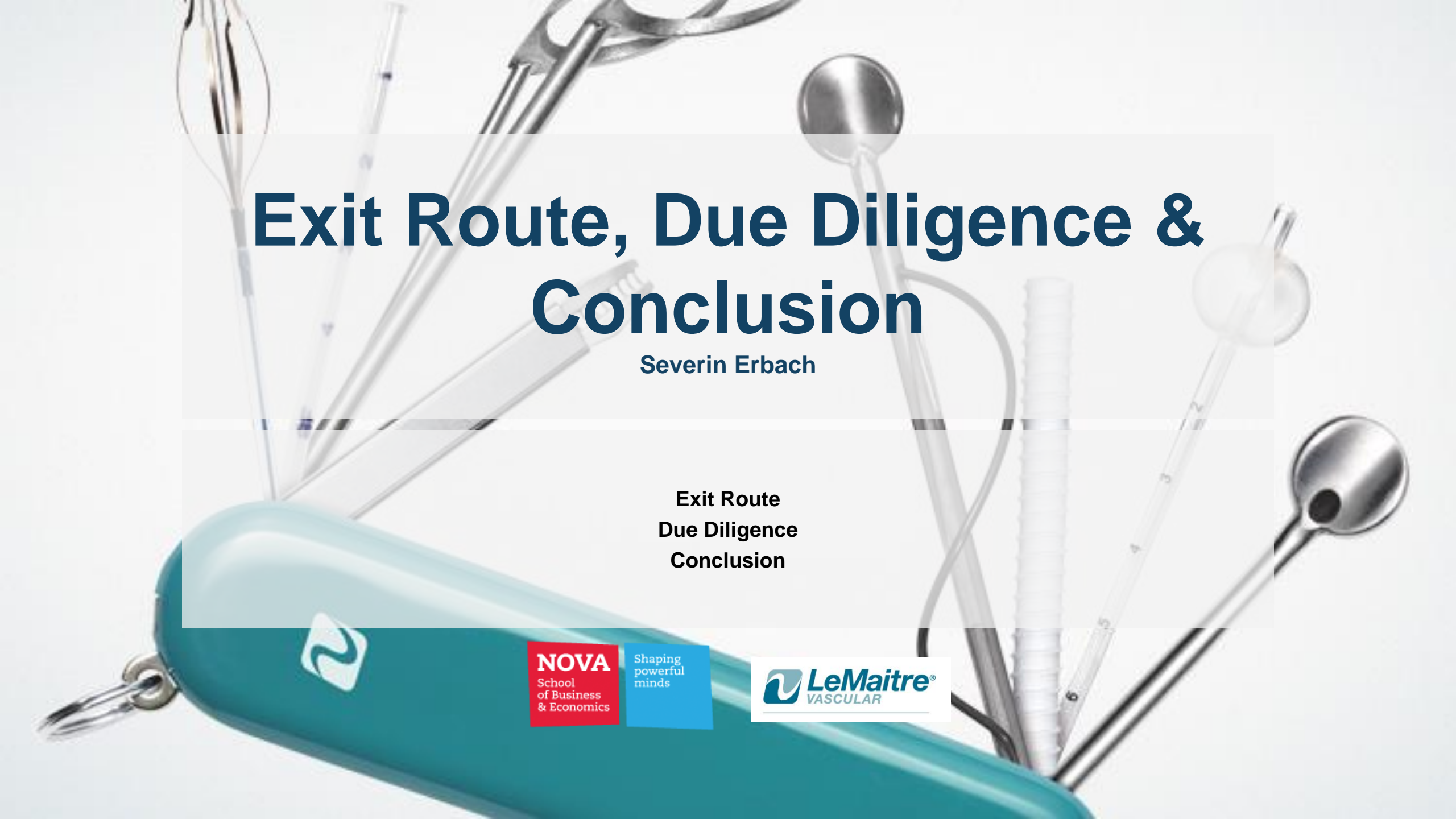


- Open Biological and Endovascular space are growing fast** and LeMaitre can take a higher share of that growth, namely in Asia and the BRICs
- Some products might **get approvals sooner** than expected, namely in Asia
- Partnerships are more profitable** due to **lower than expected costs** and faster sales ramp-up
- SG&A costs** increase in absolute terms, but **EBITDA margins** improve due to higher sales and increased brand recognition creating economies of scale

Returns

		Bank	Investment	Optimistic
Management (Entry \$24M)	FRI	\$ 31M	\$ 34M	\$ 34M
	Ords	\$ 37M	\$ 64M	\$ 79M
	Total	\$ 68M	\$ 98M	\$ 113M

Institution (Entry \$175M)	MM	2.3x	3.0x	3.4x
	IRR	18%	25%	28%



Exit Route, Due Diligence & Conclusion

Severin Erbach

Exit Route
Due Diligence
Conclusion

NOVA
School
of Business
& Economics

Shaping
powerful
minds

 **LeMaitre®**
VASCULAR

A strategic sale to a Medtech leader is the best exit option for LeMaitre to guarantee its intended exit multiple of 13.5x

Trade sale exit strategy

LeMaitre specific: Over the past years, the healthcare industry as a whole has experienced an abundance of mergers and acquisitions → major players are buying up their peers. This trend makes a trade sale an attractive exit for LeMaitre

PE specific: provides a complete and immediate exit; negotiations take place with a single buyer allowing for a quicker and more efficient process; not subject to the regulatory restrictions applicable to IPOs; may obtain a higher value for the company thanks to potential synergies

Potential acquirers



Teleflex is a global provider of medical technologies with solutions in the fields of **vascular** and **interventional access**, **surgical**, anesthesia, cardiac care, urology, emergency medicine and respiratory care

Comparable transactions



Year	2016/17
Deal size	\$1B



Year	2017
Deal size	\$1.1B

*Plus additional payments contingent on achievement of key milestones



Baxter primarily focuses on products to treat hemophilia, kidney disease, immune disorders and other chronic and acute medical conditions across two businesses: **BioScience** and **Medical Products**

Comparable transactions



Year	2017
Deal size	~\$650M



Year	2013
Deal size	~\$3.9B



Medtronic is a **global healthcare solutions company**, covering: **Cardiac and vascular**, Minimally Invasive and Restorative Therapies and Diabetes Group

Comparable transactions



Year	2015
Deal size	\$150M*



Year	2016
Deal size	~\$1.1B



Year	2010
Deal size	\$350M*

In LeMaitre's case, thorough commercial Due Diligence is imperative in order to prove the Investment Thesis

	Area	Key focus areas	Red flag	Importance
Commercial	Substitution risk	<ul style="list-style-type: none"> ▪ Competitor analysis on product line level ▪ Confirm LeMaitre's differentiation and quality on product line level 	<ul style="list-style-type: none"> ▪ Lack of differentiation and/or superior quality compared to competitor products 	● ● ●
	M&A potential	<ul style="list-style-type: none"> ▪ Shortlist of potential M&A targets matching criteria checklist ▪ Evaluate, if these are available at prices affordable for LeMaitre 	<ul style="list-style-type: none"> ▪ Lack of potential, affordable targets to pursue acquisition strategy 	● ●
	Outlook for open vascular market	<ul style="list-style-type: none"> ▪ Verify assumption of stable market outlook and continued need of open vascular surgery 	<ul style="list-style-type: none"> ▪ Moderate to high probability of strong decline in open vascular surgeries 	● ● ●
	Entry barriers in international markets	<ul style="list-style-type: none"> ▪ Evaluate entry barriers into planned expansion territories ▪ Analyze local competition, pricing, regulatory hurdles etc. 	<ul style="list-style-type: none"> ▪ Low probability of successful expansion into target markets in near future 	● ●
	Pricing power	<ul style="list-style-type: none"> ▪ Assess LeMaitre's international brand recognition and reputation ▪ Analyze pricing power and industry developments abroad 	<ul style="list-style-type: none"> ▪ Lack of brand recognition abroad and thus no pricing power 	● ● ●
	Dependence on specific sales persons	<ul style="list-style-type: none"> ▪ Evaluate dependence of sales on personal relationships between doctors and specific sales representatives 	<ul style="list-style-type: none"> ▪ High dependence on persons, risk of sales loss in case of sales rep turnover 	● ●
Technical (Legal, Operational, Financial)	International product approval likelihood	<ul style="list-style-type: none"> ▪ Deep analysis of international regulatory standards ▪ Assess likelihood of planned international approvals 	<ul style="list-style-type: none"> ▪ Low probability of major expected approvals (e.g. Biologics in Asia) 	● ●
	Regulatory and reimbursement outlook	<ul style="list-style-type: none"> ▪ Identify expected regulatory and legislative changes and trends ▪ Create scenarios of potential effects on LeMaitre's sales 	<ul style="list-style-type: none"> ▪ High risk of major decrease in reimbursement of LeMaitre products 	● ●
	Manufacturing capacity	<ul style="list-style-type: none"> ▪ Analyze potential of further expansion and integration of further product lines into main facility 	<ul style="list-style-type: none"> ▪ Maximum capacity reached, impeding further centralization of operations 	● ●
	Inventory and supply chain processes	<ul style="list-style-type: none"> ▪ Review supplier relationships and compare to industry standards ▪ Analyze supply chain and identify ideal inventory level 	<ul style="list-style-type: none"> ▪ Low chance of improving supplier contracts ▪ Planned decrease of inventory not feasible 	●

LeMaitre should be acquired by a multiple of 13.5x EBITDA, can be leveraged up to 6x EBITDA and will be an attractive strategic target after 5 years

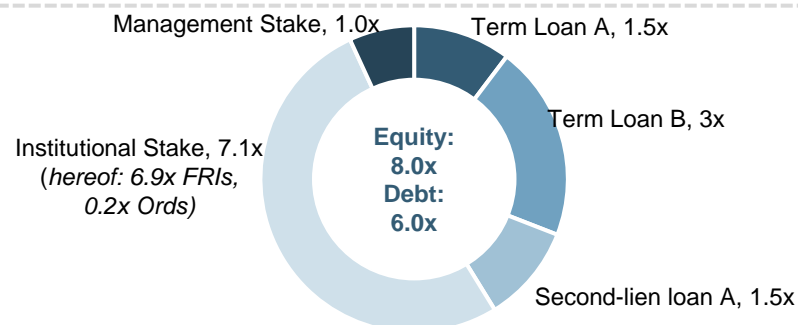
Investment rationale

- Outstanding financials:** EBITDA grew from \$6M to \$25M, from 2012 to 2017, with high cash conversion
- Growing market:** The PVD market is expected to grow from \$3.5B to 5.9B, between 2012 to 2022
- Sustainable competitive advantage:** A unique **niche strategy**, **market-leading products** and a successful **direct sales force** are defendable differentiation factors

Growth strategy

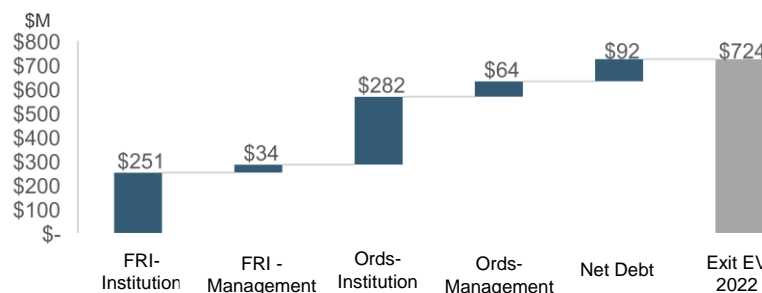
- Portfolio expansion:** Strategic expansion, namely into the **endovascular** segment, through a **focused acquisition strategy** of adjacent product lines (~1 per year)
- International strategy:** Further **increase** of the **TAM** through wholistic internationalization strategy, aiming at **increasing geographic reach** and creating **cross-selling opportunities**
- Optimization of operations:** Continued **centralization of operations**, more **efficient usage** of international structures and **working capital optimization** leading to further **leveraging of bottom line and margin improvements**

Deal structuring



- Entry multiple between **13-14.5x EV/EBITDA**
- Strong cash generation** and debt market conditions allow for raising senior debt at **spreads of ~325-375bps**
- The TLs will attract banks** due to small tranche size and will be placed in **European market**
- The final capital structure maximizes returns and is **deleveraged down to 1.1x EBITDA within 6 years**

Exit waterfall



Exit scenario and equity story

- In 2022, LeMaitre is still the **undisputed global leader in the open vascular space**
- Due to its **growing endovascular portfolio**, they are now **present in all major segments** of the PVD market and **cater to a much higher TAM**
- LeMaitre will have **its direct sales force present in all major PVD markets**, including **Asia** and the **BRIC**
- This unique positioning makes LeMaitre an ideal strategic target** for a Medtech multinational
- A sale to a strategic buyer** is therefore the best exit option with an intended **exit multiple of 13.5x**
- Returns reflects an attractive **IRR of 25%** and an **MM of 3.0x**

Entry/Exit Multiple	IRR (Investment Case)	Exit Year		
		2022	2023	2024
	12.5	26.2%	24.8%	23.3%
	13	25.5%	24.2%	22.8%
	13.5	25.0%	23.7%	22.3%
	14	24.5%	23.3%	21.9%
	14.5	24.0%	22.8%	21.5%